

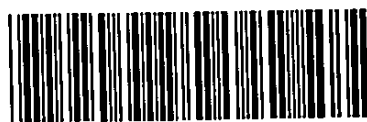
REGISTERED NUMBER: 4967365 (England and Wales)

Abbreviated Accounts For The Year Ended 30 June 2010

for

Medical Gas Solutions Limited

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For The Year Ended 30 June 2010

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Medical Gas Solutions Limited

Company Information
For The Year Ended 30 June 2010

DIRECTORS:	T MacLeod-Clarke S Gullick K Williams Dr J Hoodless A Jones
REGISTERED OFFICE:	Unit 19, Manor Industrial Estate Bagillt Flint FLINTSHIRE CH6 5UY
REGISTERED NUMBER:	4967365 (England and Wales)
AUDITORS:	Robb Ferguson Chartered Accountants & Registered Auditors 5 Oswald Street Glasgow G1 4QR
SOLICITORS	Clark Holt Hardwick House Prospect Place Swindon SN1 3LJ

Report of the Independent Auditors to
Medical Gas Solutions Limited
Under Section 449 of the Companies Act 2006

We have examined the abbreviated accounts set out on pages three to nine, together with the full financial statements of Medical Gas Solutions Limited for the year ended 30 June 2010 prepared under Section 396 of the Companies Act 2006

This report is made solely to the company, in accordance with Section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the Regulations made under that Section and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 444(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the Regulations made under that Section.

Other information

On 13/6/11 we reported as auditors to the shareholders of the company on the full financial statements for the year ended 30 June 2010 prepared under Section 396 of the Companies Act 2006, and our report included the following extract:

Emphasis of matter

GOING CONCERN

We refer the reader to the narrative disclosures in Note 1 to the financial statements concerning the basis of preparation of the financial statements. Due to the significance of these matters we draw these disclosures to your attention, however, our audit opinion is not qualified in this respect. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

FUTURE POTENTIAL INCOME/ASSETS

We also refer the reader to the narrative disclosures in Note 7 to the financial statements. At the end of each of the lease agreements in place, there is expected to be an acquisition of rental stock assets with a value significantly in excess of the consideration payable at that time by the company. Due to the significance of these disclosures and the potential future positive impact on the company's assets and reserves we draw these disclosures to your attention, however, our audit opinion is not qualified in this respect.

The disclosures referred to above are included in the abbreviated financial statements at Note 1 and Note 2 respectively.

Janice Alexander

Janice Alexander (Senior Statutory Auditor)
for and on behalf of Robb Ferguson
Chartered Accountants & Registered Auditors
5 Oswald Street
Glasgow
G1 4QR

Date 13/6/11


Medical Gas Solutions Limited (Registered number: 4967365)

Abbreviated Balance Sheet
30 June 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	2	2,054,196	1,433,797
Investments	3	<u>26</u>	<u>26</u>
		2,054,222	1,433,823
CURRENT ASSETS			
Stocks		461,163	462,260
Debtors		361,933	349,124
Cash at bank and in hand		<u>91,571</u>	<u>21</u>
		914,667	811,405
CREDITORS			
Amounts falling due within one year	4	<u>963,503</u>	<u>1,554,049</u>
NET CURRENT LIABILITIES		<u>(48,836)</u>	<u>(742,644)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,005,386	691,179
CREDITORS			
Amounts falling due after more than one year	4	(1,317,208)	(421,809)
PROVISIONS FOR LIABILITIES		<u>(330,000)</u>	<u>-</u>
NET ASSETS		<u>358,178</u>	<u>269,370</u>
CAPITAL AND RESERVES			
Called up share capital	5	1,351,035	792,026
Share premium		724,510	326,019
Profit and loss account		<u>(1,717,367)</u>	<u>(848,675)</u>
SHAREHOLDERS' FUNDS		<u>358,178</u>	<u>269,370</u>

The abbreviated accounts have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

The financial statements were approved by the Board of Directors on 10/6/11 and were signed on its behalf by


S Gullick - Director

The notes form part of these abbreviated accounts

Notes to the Abbreviated Accounts
For The Year Ended 30 June 2010

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements

There are a number of material factors affecting the ability of the company to continue to trade as a going concern

The company has reported an operating loss for the period and further losses have been incurred post year end which has resulted in a net liabilities position at the present date. The directors consider that the company faces challenges in terms of winning sufficient new business to ensure that the company returns to profitability in the future and generates sufficient cash to provide the business with adequate working capital facilities

The directors have reviewed projected sales, costs and cash flow in detail for a period of 12 months from the date of approval of the financial statements. Sales figures are forecast to increase, mainly as a result of increased equipment sales, and the directors have had indication from customers that such orders will be placed which supports the directors' view that trading at forecast levels is achievable. The directors acknowledge that future increases in sales require to be achieved for the company to return to profitability and return the balance sheet to a net assets position

The cash flow forecasts have been prepared based on a number of assumptions and the directors have reviewed these in detail and consider these to be reasonable and achievable. The directors currently have systems in place to manage and monitor cashflows on a daily basis. The company currently meets its day to day working capital requirements through loans provided during the year as detailed in Note 19 and since the year end as detailed in Note 20 to the full financial statements and notes 7 and 8 of the abbreviated financial statements. Due to the losses incurred to date, the company is not currently in a financial position to meet the original repayment schedules for these loans and has agreed with loan providers to defer capital and interest repayments for the next 12 months, when the company is expected to be in a financial position to recommence repayments, however this is obviously dependent on the company generating sufficient profits and cash flow as detailed above. Finance Wales have confirmed that they would be prepared to consider a request for further funding upon receipt of a detailed business plan from the company, however no detailed discussions have taken place regarding this at the present date so further funds from this source cannot yet be guaranteed. Should the company's sales targets not be met then further funding will be required within the next 12 months to ensure that the company has adequate working capital facilities available

After making the necessary enquiries and considering the uncertainties above, the directors believe that with early indication of increased customer demand for equipment, and the continued support of its lenders and shareholders, the company will continue as a going concern for the foreseeable future

For these reasons, the adoption of the going concern basis is considered appropriate in the preparation of the financial statements

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax

Medical Gas Solutions Limited (Registered number: 4967365)

Notes to the Abbreviated Accounts - continued
For The Year Ended 30 June 2010

1 ACCOUNTING POLICIES - continued

Tangible fixed assets change in accounting policies

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter

Rental Stock	- at varying rates on cost
Plant & equipment	- 33 33% on cost and Over 15 years
Fixtures and fittings	- 20% - 33 3% straight line
Motor vehicles	- 33 33% on cost
Computer and Office Equip	- 33 33% on cost

All fixed assets are initially recorded at cost. Cost in respect of fixed asset rental stock includes direct expenditure and an appropriate proportion of fixed and variable overheads

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs to be incurred to completion and disposal

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Research and development

Expenditure on research and development is written off in the year in which it is incurred

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Rentals received under operating leases are credited to the profit and loss account on a straight line basis over the lease term

Capital elements of future hire purchase obligations are recorded as liabilities, whilst the interest element of the obligations are charged to the profit and loss account on a straight line basis over the lease term even if payments are not made on such a basis

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate

Medical Gas Solutions Limited (Registered number 4967365)

Notes to the Abbreviated Accounts - continued
For The Year Ended 30 June 2010

2 TANGIBLE FIXED ASSETS

	Total £
COST	
At 1 July 2009	1,742,081
Additions	791,026
Disposals	<u>(20,462)</u>
At 30 June 2010	<u>2,512,645</u>
DEPRECIATION	
At 1 July 2009	308,284
Charge for year	157,478
Eliminated on disposal	<u>(7,313)</u>
At 30 June 2010	<u>458,449</u>
NET BOOK VALUE	
At 30 June 2010	<u>2,054,196</u>
At 30 June 2009	<u>1,433,797</u>

Rental stock relates to assets which are leased to third parties under operating leases

During 2009 the company disposed of rental stock and under the terms of the assignment agreement entered into, Medical Gas Solutions Limited will continue to carry out all aspects of the hire agreement. At the end of the 33 month period, commencing July 2009, it is intended that the assets be transferred back to Medical Gas Solutions Limited for a nil consideration, at which point they will have an estimated book value of approximately £430,000. This will not be recognised as income until the transfer takes place in accordance with the prudence concept of accounting as the consideration for the transfer of the assets back to the company is conditional upon the purchaser receiving the full income over the 33 month period.

During 2009, Medical Gas Solutions Limited also entered into two tripartite agreements with companies in which Medical Gas Solutions Limited has a shareholding.

The first agreement was with MGS West Midlands Limited and West Midlands Ambulance NHS Trust to supply and service medical gas products. Medical Gas Solutions Limited have a shareholding in MGS West Midlands Limited.

MGS West Midlands Limited purchased gas cylinders for a consideration of £1,273,916 for the purpose of hiring to West Midlands Ambulance NHS Trust over a 4 year period commencing in November 2008, giving them the right to receive the rental income of circa £1.66m over the four year period. Medical Gas Solutions Limited will supply and service all products provided on behalf of MGS West Midlands Limited.

At the end of the 4 year period, it is intended that the assets are transferred to Medical Gas Solutions Limited for a consideration of only 1% of the value at that time. Given the cylinders have a 15 year estimated useful life, they are estimated to have value in excess of £900,000 at that date, and be acquired by Medical Gas Solutions Limited for a consideration of 1% of this value. The differential between the asset value and the consideration paid will not be recognised as income until the transfer takes place in accordance with the prudence concept of accounting as the transfer of the assets back to the company is conditional upon MGS West Midlands Limited having received all sums due under the terms of the contract over the 4 year period.

The second agreement was with MGS North West Limited and North West Ambulance NHS Trust to supply and service medical gas products. Medical Gas Solutions Limited have a shareholding in MGS North West Limited.

Medical Gas Solutions Limited (Registered number: 4967365)

Notes to the Abbreviated Accounts - continued
For The Year Ended 30 June 2010

MGS North West Limited purchased gas cylinders for a consideration of £1,510,465 for the purpose of hiring to North West Ambulance NHS Trust over a 63 month period commencing in January 2009, giving them the right to receive the rental income of circa £1 9m over the 63 month period. Medical Gas Solutions Limited will supply and service all products provided on behalf of MGS North West Limited.

At the end of the 63 month period, it is intended that the assets are transferred to Medical Gas Solutions Limited for a consideration of only 1% of the value at that time. Given the cylinders have a 15 year estimated useful life, they are estimated to have value in excess of £950,000 at that date, and be acquired by Medical Gas Solutions Limited for a consideration of 1% of this value. The differential between the asset value and the consideration paid will not be recognized as income until the transfer takes place in accordance with the prudence concept of accounting as the transfer of the assets back to the company is conditional upon MGS North West Limited having received all sums due under the terms of the contract over the 63 month period.

3 FIXED ASSET INVESTMENTS

	Investments other than loans £
COST	
At 1 July 2009 and 30 June 2010	<u>256,289</u>
PROVISIONS	
At 1 July 2009 and 30 June 2010	<u>256,263</u>
NET BOOK VALUE	
At 30 June 2010	<u>26</u>
At 30 June 2009	<u>26</u>

The company's investments at the balance sheet date in the share capital of companies include the following

Manor Medical Limited

Nature of business Dormant

	%
Class of shares	holding
Ordinary	100 00

MGS - Emerging Medical Gas Equip Industry & Trade Joint Stock Corp

Country of incorporation Turkey

Nature of business Sale and marketing of medical gas equipment

	%
Class of shares	holding
Ordinary	31 80

	2010	2009
	£	£
(Loss)/Profit for the year	<u>(5,525)</u>	<u>4,759</u>

Medical Gas Solutions Limited (Registered number 4967365)

Notes to the Abbreviated Accounts - continued
For The Year Ended 30 June 2010

3 FIXED ASSET INVESTMENTS - continued

MGS West Midlands Limited

Nature of business Sale and marketing of medical gas equipment

	%	
Class of shares	holding	
Ordinary	49 00	31 10 09
		£
Aggregate capital and reserves		628,097
Profit for the year		<u>178,071</u>

No financial statements for the year ended 31 October 2010 are available as the company has extended its period end to 31 March 2011

4 CREDITORS

Creditors include an amount of £1,371,368 (2009 - £993,235) for which security has been given

They also include the following debts falling due in more than five years

	2010	2009
	£	£
Repayable by instalments	<u>325,000</u>	<u>-</u>

5 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			2010	2009
Number	Class	Nominal value	£	£
993,276	Ordinary	£1	993,276	792,026
(2009 - 792,026)				
357,759	Preferred Ordinary	£1	<u>357,759</u>	<u>-</u>
			<u>1,351,035</u>	<u>792,026</u>

The following shares were allotted and fully paid for cash during the year

201,250 Ordinary shares of £1 each

357,759 Preferred Ordinary shares of £1 each

Medical Gas Solutions Limited (Registered number: 4967365)

Notes to the Abbreviated Accounts - continued
For The Year Ended 30 June 2010

5 CALLED UP SHARE CAPITAL - continued

The allotment of the Ordinary and Preferred Ordinary Shares made during the year was for the following consideration

Shares allotted	Nominal value	Share Premium	Total price
	£	£	£
357,759 Ordinary Shares of £1	357,759	242,241	600,000
201,250 Preferred Ordinary Shares of £1	201,250	156,250	357,500

At 30 June 2010 and 30 June 2009, 1 employee had been granted share options in the company over 30,303 ordinary shares of £1 at an exercise price of £3.30 per share. The options are only exercisable by the holder in the event of a take over of the company, the sale of the company, the option holder ceasing to be an employee of the company and the Board then permits the exercise of such options and the shares of the company being listed on a recognised stock exchange or unlisted securities market.

The options exercised shall be equity settled. The options were granted on 6 February 2008 and shall lapse on the 6 February 2018 or on the cessation of the holder's employment with the company or the company ceasing to be a constituent company. The effect of these share options on the profit and loss account for the period to 30 June 2010 is considered to be nil (2009 - nil).

6 TRANSACTIONS WITH DIRECTORS

During the year, amounts were paid to Suetts Farm Limited of £63,874 (2009- £42,500), a company with which Mr T MacLeod-Clarke, a director, is connected.

Mr A Jones (Chairman) was also paid £9,168 (2009 - £nil). At the year end £2,640 (2009 - £nil) was due by the company to A B Jones.

Included within other creditors due after more than one year at 30 June 2009 is £45,000 due to Mr T MacLeod-Clarke (2010 - £nil). Interest of £nil (2009 - £7,875) was accrued on this loan at 30 June 2010.

7 POST BALANCE SHEET EVENTS

Since the year end, the company has raised additional loan finance of £1,000,000 from Finance Wales used to provide additional operating funding for the company.

8 LOANS WITH SHAREHOLDERS

Included within creditors is £934,536 (2009 - £nil) in respect of the loans due to Finance Wales, a shareholder in the company and £1,791 (2009 - £nil) is included within trade creditors. Also included within creditors is a loan of £381,975 which is due to Bryken Ltd, a company which is controlled by a shareholder.