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Registered number: 05252571

DIRECT HEALTHCARE GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

DIRECT HEALTHCARE GROUP LIMITED

COMPANY INFORMATION

Directors	GJ Boyle RBN Brodie AS Mcallister G Ewart D Patterson
Registered number	05252571
Registered office	Unit 8 Withey Court Western Industrial Estate Caerphilly Mid Glamorgan CF83 1BF
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Birmingham B4 6AT

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019

Introduction

Direct Healthcare Group Limited's principal activity is the design, manufacture and sale of equipment and accessories within the medical profession.

Business review

Key performance indictors that the business monitor include sales, gross margin and operating profit.

Sales for the year ended 31st March 2019 were £18.5m vs £12.1m, an increase of 53%, reflecting organic growth and the transfer of business from other group companies.

Gross margin was 43%, a 1% improvement on prior year reflecting growth and efficiencies.

Administrative costs increased reflecting the transfer of business from other group companies.

Operating profits were £1.9m, significantly up on last year reflecting the growth, efficiencies and transfer of business from other group companies.

During the year net assets increased by £1.6m. Other movements on the balance sheet reflect the underlying profitable trade of the company plus the impact of transferring business from other group companies.

Future developments

The business continues to invest in new products and aims to continue to be a leader in the markets it serves.

Principal risks and uncertainties

We have set out below a number of risk factors that we believe could cause our actual future results to differ materially from expected results. However, other factors could adversely affect the results and so the factors set out below should not be considered to be a complete set of all potential risks and uncertainties.

Business conditions and the general economy

The profitability of our company could be adversely affected by a worsening of general economic conditions in the United Kingdom. Factors such as NHS funding, unemployment, interest rate fluctuations and inflation could significantly affect the markets in which the company operates. Whilst short term worsening in economic conditions in the United Kingdom should not significantly adversely impact profitability, a sustained downturn over a number of years would be likely to lead to reduced profits. As noted above, fluctuating input costs can also influence our margins.

Liquidity and financing

Liquidity and financing risks relate to our ability to pay for goods and services required to trade on a day to day basis. We have two main sources of financing facilities which are from banks by way of borrowing facilities and from suppliers by way of trade credit.

Credit risk

The Company trades with only recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is mitigated.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

Regulatory compliance risk

The Company is subject to regulatory compliance risk which can arise from a failure to comply fully with the laws, regulations or codes applicable, for example health and safety and fire regulations. Non-compliance can lead to fines or public reprimand.

Competition

We compete with other companies within the industry for contracts with the National Health Service and local health authorities. Failure to renew these contracts when due could have an impact on the profitability of the Company.

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

RBN Brodie
Director

Date: 23/10/19

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

Results and dividends

The profit for the year, after taxation, amounted to £1,628,106 (2018 - £897,302).

No final dividends are proposed for the year.

Directors

The directors who served during the year were:

GJ Boyle
RBN Brodie
AS Mcallister
G Ewart
D Patterson

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

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

Auditors

The auditors, 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 and signed on its behalf.

R. B

RBN Brodie
Director

Date: 23/10/19

Grant Thornton

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DIRECT HEALTHCARE GROUP LIMITED

Opinion

We have audited the financial statements of Direct Healthcare Group Limited (the 'Company') for the year ended 31 March 2019, which comprise the Statement of comprehensive income, the Balance sheet, 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 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 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 *Auditors' 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.

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 AUDITORS' REPORT TO THE SHAREHOLDERS OF DIRECT HEALTHCARE GROUP 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 Auditors' 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.

Opinion 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 under 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF DIRECT HEALTHCARE GROUP LIMITED (CONTINUED)

Responsibilities of directors

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.

Auditors' 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 Auditors' 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 Auditors' report.

Use of our report

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

Grant Thornton UK LLP

David Munton BSc (Hons) FCA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham
B4 6AT
Date: 23 October 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	As restated 2018 £
Turnover	4	**18,454,347**	12,061,354
Cost of sales		**(10,582,440)**	(7,037,617)
Gross profit		**7,871,907**	5,023,737
Administrative expenses		**(5,992,437)**	(3,948,078)
Other operating income	5	**16,515**	17,436
Operating profit		**1,895,985**	1,093,095
Interest payable and expenses	10	**(93,929)**	(72,654)
Profit before tax		**1,802,056**	1,020,441
Tax on profit	11	**(173,950)**	(123,139)
Profit for the financial year		**1,628,106**	897,302

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 12 to 43 form part of these financial statements.

BALANCE SHEET
AS AT 31 MARCH 2019

	Note		2019 £		As restated 2018 £
Fixed assets					
Goodwill	13		**7,000**		7,000
Other intangible assets	12		**1,493,593**		1,524,006
Tangible assets	14		**4,303,973**		2,340,056
Investments	16		**2**		2
			5,804,568		3,871,064
Current assets					
Stocks	17	**1,633,760**		1,589,482	
Debtors: amounts falling due within one year	18	**4,710,053**		3,469,446	
Cash at bank and in hand	19	**407,568**		437,089	
		6,751,381		5,496,017	
Creditors: amounts falling due within one year	20	**(3,088,958)**		(2,566,735)	
Net current assets			**3,662,423**		2,929,282
Total assets less current liabilities			**9,466,991**		6,800,346
Creditors: amounts falling due after more than one year	22		**(2,242,440)**		(1,133,433)
			7,224,551		5,666,913
Provisions for liabilities					
Deferred taxation	23	**-**		(70,468)	
			-		(70,468)
Net assets			**7,224,551**		5,596,445

BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	24	**224,000**	224,000
Profit and loss account	25	**7,000,551**	5,372,445
		7,224,551	5,596,445

The financial statements were approved and authorised for issue by the board and were signed on its behalf by: 23/10/19

RBN Brodie
Director

Date:

The notes on pages 12 to 43 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2017	**224,000**	**4,475,143**	**4,699,143**
Profit for the year	-	**897,302**	**897,302**
At 1 April 2018	**224,000**	**5,372,445**	**5,596,445**
Profit for the year	-	**1,628,106**	**1,628,106**
At 31 March 2019	**224,000**	**7,000,551**	**7,224,551**

The notes on pages 12 to 43 form part of these financial statements.

1. General information

Direct Healthcare Group Limited is a private company limited by shares and incorporated in England and Wales. The company's registered office can be found on the Company Information page.

Direct Healthcare Group Limited's principal activity is the design, manufacture and sale of equipment and accessories used within the medical profession.

2. Accounting policies

2.1 Basis of preparation of financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that not readily apparent from other sources.

The estimates and underlying judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period the revision and future periods if the revision affects both current and future periods.

In preparation of these financial statements, estimates and judgements have been made by management concerning the selection of useful lives of property, plant and equipment and intangible assets other than goodwill, provisions necessary for certain liabilities, discount rates used in impairment reviews, the incremental borrowing rate used in calculation of lease liabilities and categorisation of research and development expenditure. Actual amounts could differ from those estimates.

The company has transitioned from FRS 102 to FRS 101 for all periods presented. In the transition to FRS 101, the company has applied IFRS 1 First-time adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the company is provided in Note 30.

The most significant change in accounting policies from the previous year was the early adoption of IFRS 16 'Leases'. This standard is applicable for accounting periods beginning 1 January 2019 onwards but management have chose to early adopt this standard. The accounting policies remain otherwise unchanged from the previous year.

2. Accounting policies (continued)

2.2 New standards, amendments and IFRIC interpretations

IFRS 16 Leases is a new accounting standard effective for accounting periods ending 31 December 2019. The company has elected to early adopt this standard for the year ended 31 March 2019 using a fully retrospective approach but applying certain exemptions as permitted by IFRS 1 for lessees who are also first-time adopters. Further details and the impact of this change are disclosed in Note 30 and have a material impact on the company's financial statements with the recognition of new right of use assets and lease liabilities on the company's balance sheet. The nature of expenses related to those leases has also changed as the straight-line operating lease expense has been replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' are standards effective upon transition to FRS 101. These have not had a material impact on the company.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2019 that have had a material impact on the company.

2. Accounting policies (continued)

2.3 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.4 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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 the Statement of comprehensive income.

2. Accounting policies (continued)

2.5 Revenue

IFRS 15 'Revenue from Contracts with Customers' replaces the previous measurement standards IAS 18 'Revenue' and IAS 11 'Construction Contracts'. IFRS 15 has been considered to determine whether any material difference exists in the way revenue is recognised. If any material difference existed the company would apply a fully retrospective approach upon transition to FRS 101 which results in an adjustment to the opening balance of equity at 1 April 2017 and restatement of comparative figures. The company did not consider there to be any difference in the way revenue is recognised under IFRS 15 and therefore no restatement has been made.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods (sale of specialist medical equipment) and services (hire, servicing and decontamination of specialist medical equipment) have transferred to the customer and the customer has control of these. The company's activities are described in detail below. Discounts and returns are highly immaterial.

Sale of goods
The company manufactures and sells a range of specialist medical equipment. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer where the company provides delivery or upon collection by the customer if no delivery is provided. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred and the customer has accepted the products including objective evidence of acceptance.

Hire of equipment
The company hires out specialist medical equipment. Revenue is recognised on a straight-line basis over the hire period as economic benefits are derived across the life of the rental period. Any rental or hire agreements have been assessed in order to determine whether the contract contains a lease. Given that the company retains the right to direct how and for what purpose the asset is used throughout the period of use, then these agreements are not considered to contain a lease as defined by IFRS 16 "Leases".

Servicing of equipment
The company provides service, repair, and decontamination services. The associated revenue is recognised when the performance obligations associated with the contract are substantially met.

2. Accounting policies (continued)

2.6 Operating leases: the Company as lessee

As mentioned in Note 2.1., the company has elected to early adopt IFRS 16 using a fully retrospective approach. IFRS 1 'First Time Adoption of International Financial Reporting Standards' permit a first-time adopter of IFRS that is a lessee to apply this approach at the date of initial application of IFRS being 1 April 2017, with certain exemptions as detailed in Note 30. This means that the opening IFRS balance sheet as at 1 April 2017 has been restated along with comparative information for the year ended 31 March 2018.

For any new contracts entered into on or after 1 April 2017, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right of use asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company.
- The company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.
- The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentive received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the company measures the leases liability at the present value of the lease payments unpaid at that date, discounted using the company's incremental borrowing rate of 4.31%. The rate has been calculated using existing comparable rates the business has recently taken. The company has elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics using practical expedients.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The company has elected to account for short-term leases and leases of low-value assets using the

2. Accounting policies (continued)

2.6 Operating leases: the Company as lessee (continued)

practical expedients with lease payments being recognised as an expense on a straight-line basis in the profit and loss account. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in lease liabilities.

Right-of-use assets are transferred between group companies on a nil profit or loss basis.

2.7 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 Research and development

Expenditure on the research of projects to develop new specialist medical equipment is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:
- The development costs can be measured reliably
- The project is technically and commercially feasible
- The company intends to and has sufficient resources to complete the project
- The company has the ability to use or sell the software.
- The specialist medical equipment will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 6 years.

2.9 Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Balance sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

2. Accounting policies (continued)

2.10 Finance costs

Finance costs are charged to the Statement of 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.

2.11 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 Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge 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 balance sheet 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 Balance sheet 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 balance sheet date.

2. Accounting policies (continued)

2.13 Intangible assets

Intangible assets 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.

The estimated useful lives range as follows:

Manufacturing know-how	-	10	years
Trademarks	-	25	years
Customer relationships	-	10	years

Impairment
Non-financial assets that are not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are assessed at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Deemed cost
The company did not elect to measure any intangible asset at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date.

2.14 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.

2. Accounting policies (continued)

2.14 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:

Improvements to property	- 3 to 7 years
Plant and machinery	- 3 to 10 years
Motor vehicles	- 4 years
Fixtures and fittings	- 3 years
Right of use asset	- over length of lease
Hire equipment	- 5 years

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.

Assets under construction are not depreciated until brought into use.

Deemed cost
The company did not elect to measure any tangible asset at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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 profit or loss.

2. Accounting policies (continued)

2.17 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 Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

Contingent liabilities are not recognised but are disclosed unless an outflow of resources is remote. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

2. Accounting policies (continued)

2.18 Financial instruments

Financial assets, loans and receivables

Upon transition to FRS 101, the assets generated from goods or services transferred to customers are now presented as either receivables or contract assets, in accordance with IFRS 15. The assessment of impairment of receivables from 1 April 2017 is in accordance with IFRS 9 'Financial Instruments'.

All cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the company's revenue streams are therefore initially measured at their fair value, which is considered to be their transaction price (as defined in IFRS 15) and are subsequently remeasured at amortised cost.

Under IFRS 9, the company will now recognise a loss allowance for expected credit losses (ECL) on financial assets subsequently measured at amortised cost using a the 'simplified approach'. Individually significant balances are reviewed separately for impairment based on credit terms agreed with the customer. Other balances are assessed into credit risk categories and reviewed in aggregate.

Trade receivable and cash at bank and in hand are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are initially recorded at fair value net of transaction costs, being invoiced less any provisional estimate for impairment should be necessary due to a loss event. Trade receivables are subsequently remeasured at invoiced value, less an updated provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit and loss account.

Cash and cash equivalents include cash at bank and in hand and bank deposits available with no notice or less than three months' notice from inception that are subject to an insignificant risk of changes in value. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances.

Following initial recognition, financial assets are subsequently remeasured at amortised cost using the effective interest method.

Financial liabilities

The company's financial liabilities are overdrafts, trade and other payables including accrued expenses, and amounts owed to company companies.

All interest related charges are recognised as an expense in 'Interest payable and similar charges' in the profit and loss account.

Bank and other borrowings are initially recognised at fair value net of transaction costs. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in finance income and finance costs. Borrowing costs are recognised as an expense in the period in which they are incurred.

Trade payables on normal terms are not interest bearing and are stated at their fair value on initial recognition and subsequently at amortised cost.

2. Accounting policies (continued)

2.19 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 the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

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

In the preparation of these financial statements, estimates and judgements have been made by management concerning the following:

Useful economic lives of property, plant and equipment
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Inventory provisioning
The company designs, manufactures and sells specialist medical equipment and is subject to changing consumer demands, wider industry developments and technological change. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finish goods and future usage of raw materials.

Impairment of trade receivables
The company makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade receivables management considers factors including the ageing profile of the receivable and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Capitalisation of internally developed assets
Distinguishing the research and development phases of a new internally developed asset and determining whether the recognition requirements for the capitalisation of development costs are met requires judgment. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Incremental borrowing rate applied to right-of-use assets
Determining the incremental borrowing rate applied in calculating lease liabilities under IFRS 16 requires the use of certain methodologies and assumptions. When determining the rate management assess various factors including the lease term, nature of the asset and the level of security for the right of use asset.

Impairment of intangible assets other than goodwill
Determining whether intangible assets are impaired requires an estimate of the value in use. The value-in-use calculation involves an estimate of the future cash flows of the respective intangible asset and also the selection of appropriate discount rates to calculate present values. Future cash flows are estimated using the current one-year budget forecast, extrapolated for a future growth rate. The estimated growth rates are based on past experience and knowledge of the individual sector's markets. Changes in estimated growth rate could result in variations to the carrying value of these intangibles.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Pressure area care	**12,161,107**	11,244,597
Specialist seating	**4,308,395**	-
Rentals and service	**1,984,845**	816,757
	18,454,347	12,061,354

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	**15,345,253**	10,205,740
Rest of Europe	**1,230,266**	785,219
Rest of the world	**1,878,828**	1,070,395
	18,454,347	12,061,354

For 2019, revenue includes £128,200 (2018: £15) of deferred income at the beginning of the period.

Included in deferred income at 31 March 2019 is £3,789 (2018: £128,200) relating to performance obligations form existing contracts that are unsatisfied or partially unsatisfied as at the year end.

5. Other operating income

	2019 £	2018 £
Government grants receivable	**16,515**	17,436

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Research & development charged as an expense	**46,618**	23,810
Depreciation of tangible fixed assets including right-of-use assets	**925,029**	360,204
Amortisation of intangible assets, including goodwill	**120,785**	30,952
Exchange differences	**19,454**	15,142
Defined contribution pension cost	**47,048**	26,613

7. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**62,000**	27,500

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

8. Employees

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

	2019 £	2018 £
Wages and salaries	**4,968,244**	3,096,385
Social security costs	**423,645**	275,152
Cost of defined contribution scheme	**47,048**	26,613
	5,438,937	3,398,150

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

	2019 No.	2018 No.
Manufacturing	**98**	65
Administration	**57**	27
	155	92

9. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	**887,987**	859,799
Company contributions to defined contribution pension schemes	**15,349**	13,634
	903,336	873,433

During the year retirement benefits were accruing to 4 directors (2018 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £264,085 (2018 - £275,571).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2018 - £391).

10. Interest payable and similar expenses

	2019 £	2018 £
Other bank interest payable	**12,588**	9,660
Leasing arrangements	**81,341**	62,994
	93,929	72,654

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	**320,715**	129,658
Adjustments in respect of previous periods	**8,058**	-
	328,773	129,658
Deferred tax		
Origination and reversal of timing differences	**(154,823)**	(6,519)
Taxation on profit on ordinary activities	**173,950**	123,139

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	**1,802,056**	1,020,441
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**342,406**	193,881
Effects of:		
Expenses not deductible for tax purposes	**(135,126)**	(68,474)
Other short term timings differences	**(16,069)**	4,251
Rate differences	**11,724**	-
Adjustments to tax charge in respect of prior periods	**8,058**	-
Adjustments to deferred tax charge in respect of prior periods	**(37,043)**	(6,519)
Total tax charge for the year	**173,950**	123,139

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Intangible assets

	Patents £	Customer relationships £	Trademarks £	Manufacturing know-how £	Development costs £	Total £
Cost						
At 1 April 2018	**140,765**	**347,000**	**286,000**	**428,000**	**364,112**	**1,565,877**
Additions	**14,906**	-	-	-	**75,466**	**90,372**
At 31 March 2019	**155,671**	**347,000**	**286,000**	**428,000**	**439,578**	**1,656,249**
Amortisation						
At 1 April 2018	**34,459**	**2,892**	**953**	**3,567**	-	**41,871**
Charge for the year	**32,013**	**34,635**	**11,418**	**42,719**	-	**120,785**
At 31 March 2019	**66,472**	**37,527**	**12,371**	**46,286**	-	**162,656**
Net book value						
At 31 March 2019	**89,199**	**309,473**	**273,629**	**381,714**	**439,578**	**1,493,593**
At 31 March 2018	106,306	344,108	285,047	424,433	364,112	1,524,006

Development expenditure is internally generated and relates to the development of specialist medical equipment. Amortisation will commence once the development is complete over its expected useful economic life of 6 years. All other intangibles and goodwill are separately acquired.

Amortisation of intangible assets is included within other operating charges.

An asset is impaired if its carrying value exceeds the recoverable amount, which is based upon value in use. At 31 March 2019, impairment reviews were performed by comparing the carrying value with the value in use.

13. Goodwill

	2019
	£
Cost	
At 1 April 2018	**7,000**
At 31 March 2019	**7,000**
Net book value	
At 31 March 2019	**7,000**
At 31 March 2018	7,000

14. Tangible fixed assets

	Improvements to property £	Assets under construction £	Plant, machinery and hire equipment £	Motor vehicles £	Fixtures and fittings £	Right of use asset £	Total £
Cost or valuation							
At 1 April 2018	392,122	5,255	1,602,107	156,112	231,724	1,514,261	3,901,581
Additions	142,278	43,297	486,002	-	45,822	1,565,827	2,283,226
Transfers intra group	102,202	-	1,079,827	137,587	54,532	-	1,374,148
Disposals	-	-	(93,825)	-	-	(39,839)	(133,664)
At 31 March 2019	636,602	48,552	3,074,111	293,699	332,078	3,040,249	7,425,291
Depreciation							
At 1 April 2018	94,478	-	983,763	103,453	137,987	241,844	1,561,525
Charge for the year	93,138	-	352,584	43,637	58,900	376,770	925,029
Transfers intra group	19,470	-	522,915	112,273	47,087	-	701,745
Disposals	-	-	(27,142)	-	-	(39,839)	(66,981)
At 31 March 2019	207,086	-	1,832,120	259,363	243,974	578,775	3,121,318
Net book value							
At 31 March 2019	429,516	48,552	1,241,991	34,336	88,104	2,461,474	4,303,973
At 31 March 2018	297,644	5,255	618,344	52,659	93,737	1,272,417	2,340,056

15. Leases

	2019	2018
	£	£
Net book value right of use assets	2,461,474	1,272,417

	Property	Motor vehicles	Other assets	Total
	£	£	£	£
Net book value of right of use assets				
At 1 April 2017 (restated)	1,044,222	112,057	45,812	1,202,091
Additions	49,092	204,709	58,369	312,170
Depreciation charge	(123,702)	(102,707)	(15,435)	(241,844)
At 31 March 2018 (restated)	969,612	214,059	88,746	1,272,417
Additions	1,232,230	306,783	26,814	1,565,827
Depreciation charge	(208,553)	(149,186)	(19,031)	(376,770)
At 31 March 2019	1,993,289	371,656	96,529	2,461,474

	2019	2018
	£	£
Lease liability in the Balance Sheet at 31 March		
Current	577,829	271,427
Non-current	1,978,171	1,042,403
	2,556,000	1,313,830

	2019	2018
	£	£
Amounts charged in the Statement of Income		
Depreciation charge on right of use assets	376,770	241,844
Interest on lease liabilities	74,773	55,136
	451,543	296,980

Leases (continued)

	2019 £	2018 £
Cash outflow in respect of leases		
Cash outflow	**604,780**	429,583
	604,780	429,583

16. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2018	**2**
At 31 March 2019	**2**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Direct Healthcare Group Pty Ltd	PO Box 562, Wembley, WA, 6913	Ordinary	100%
Direct Healthcare Services Limited	Unit 8, Withey Court, Mid-Glamorgan, CF83 1BF	Ordinary	100%

17. Inventories

	2019 £	2018 £
Raw materials and consumables	**910,794**	911,890
Work in progress (goods to be sold)	**35,404**	43,337
Finished goods and goods for resale	**687,562**	634,255
	1,633,760	1,589,482

Inventories recognised in cost of sales during the year as an expense was £6,812,117 (2018: £4,840,221), Inventories are also stated net of provisions of £210,057 (2018: £113,151).

18. Receivables: amounts falling due within one year

	2019 £	2018 £
Trade debtors	**3,296,347**	1,857,914
Amounts owed by group undertakings	**959,695**	1,389,730
Prepayments and accrued income	**369,656**	221,802
Deferred taxation	**84,355**	-
	4,710,053	3,469,446

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Trade receivables are stated after provisions for impairment of £43,000 (2018: £19,000).

19. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	**407,568**	437,089

20. Payables: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	**1,144,378**	1,412,274
Corporation tax	**195,715**	39,263
Other taxation and social security	**658,643**	262,512
Accruals and deferred income	**435,729**	503,078
Lease liabilities	**654,493**	349,608
	3,088,958	2,566,735

The Accruals and deferred income balance above includes deferred income of £3,789 (2018: £128,200) relating to hire and service revenues. The amounts recognised as deferred income will all be recognised in the next reporting period.

21. Contingent liabilities

Direct Healthcare Group Limited and the other companies in the group headed by Direct Healthcare Group Limited have cross-guaranteed the bank borrowings of each other. The bank has a fixed and floating charge over the assets of Direct Healthcare Group Limited in respect of this arrangement.

22. Payables: Amounts falling due after more than one year

	2019 £	2018 £
Lease liabilities	**2,242,440**	1,133,433

23. Deferred taxation

	2019
	£
At beginning of year	(70,468)
Charged to profit or loss	154,823
At end of year	**84,355**

The deferred taxation balance is made up as follows:

	2019	2018
	£	£
Accelerated capital allowances	68,285	(77,508)
Lease accounting	16,070	7,040
	84,355	(70,468)

24. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
224,000 (2018 - 224,000) Ordinary shares of £1.00 each	224,000	224,000

Ordinary shares have full voting and dividend rights, and rights to participate in capital distributions.

25. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

26. Capital commitments

At 31 March 2019 the Company had capital commitments as follows:

	2019	2018
	£	£
Contracted for but not provided in these financial statements	88,292	49,576

27. 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 and amounted to £47,048 (2018 - £26,613). Contributions totalling £6,351 (2018 - £2,742) were payable to the fund at the balance sheet date and are included in creditors.

28. Related party transactions

In accordance with FRS 101 disclosure exemptions, the company has not disclosed transactions with other wholly owned entities that form part of the group headed by Direct Healthcare Group Holdings Limited.

A S McAllister, a director, had an opening unsecured directors loan account balance due to the company of £6,501. During the year repayments of £6,501 were made and the closing balance due to the company was £nil. No interest was charged on this loan in either the current or prior year.

29. Controlling party

The company's immediate parent is Direct Healthcare Group Management Limited which is incorporated in England and Wales. The company's ultimate parent undertaking is Direct Healthcare Group Holdings Limited which is also incorporated in England and Wales.

Direct Healthcare Group Holdings Limited heads the largest and smallest group into which the results of this company are consolidated. The consolidated financial statements of this group are available from their offices at 6-10 Withey Court, Western Industrial Estate, Caerphilly, Mid Glamorgan, CF83 1BF. The ultimate controlling party is North Edge Capital LLP.

The company is included in the consolidated accounts of Direct Healthcare Group Holdings Limited, which are prepared under IFRS and are publicly available. Therefore the company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements.

30. First time adoption of FRS 101

For the year ended 31 March 2018 the company prepared its financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements, for the year ended 31 March 2019, are the first the company has prepared in accordance with FRS 101 Reduced Disclosure Framework.

In preparing these financial statements, the company has started from an opening balance sheet as at 1 April 2017, the company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first time adopter of FRS 101. As such, this note explains the principal adjustments made by the company in restating its statement of financial position as prepared under FRS 101 and included in its previously published financial statements for the year ended 31 March 2018.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 'First Time Adoption of International Financial Reporting Standards'.

30. First time adoption of FRS 101 (continued)

	Note	As previously stated 1 April 2017 £	Effect of transition 1 April 2017 £	**FRS 101 (as restated) 1 April 2017 £**	As previously stated 31 March 2018 £	Effect of transition 31 March 2018 £	**FRS 101 (as restated) 31 March 2018 £**
Fixed assets	1	902,895	1,202,091	**2,104,986**	2,654,269	1,216,795	**3,871,064**
Current assets		5,895,554	-	**5,895,554**	5,496,017	-	**5,496,017**
Creditors: amounts falling due within one year	2	(1,961,251)	(197,376)	**(2,158,627)**	(2,295,307)	(271,427)	**(2,566,734)**
Net current assets		3,934,303	(197,376)	**3,736,927**	3,200,710	(271,427)	**2,929,283**
Total assets less current liabilities		4,837,198	1,004,715	**5,841,913**	5,854,979	945,368	**6,800,347**
Creditors: amounts falling due after more than one year	2	(61,068)	(1,004,715)	**(1,065,783)**	(91,030)	(1,042,403)	**(1,133,433)**
Provisions for liabilities	3	(76,987)	-	**(76,987)**	(77,508)	7,040	**(70,468)**
Net assets		4,699,143	-	**4,699,143**	5,686,441	(89,995)	**5,596,446**
Capital and reserves		4,699,143	-	**4,699,143**	5,686,441	(89,995)	**5,596,446**

30. First time adoption of FRS 101 (continued)

	Note	As previously stated 31 March 2018 £	Effect of transition 31 March 2018 £	**FRS 101 (as restated) 31 March 2018 £**
Turnover		12,061,354	-	**12,061,354**
Cost of sales		(7,037,617)	-	**(7,037,617)**
		5,023,737	-	**5,023,737**
Administrative expenses	4	(3,906,178)	(41,900)	**(3,948,078)**
Other operating income		17,436	-	**17,436**
Operating profit		1,134,995	(41,900)	**1,093,095**
Interest payable and similar charges	5	(17,518)	(55,136)	**(72,654)**
Taxation	3	(130,179)	7,040	**(123,139)**
Profit on ordinary activities after taxation and for the financial year		987,298	(89,996)	**897,302**

Explanation of changes to previously reported profit and equity:

the company has elected to early adopt IFRS 16 for the year ended 31 March 2019 using the fully retrospective approach but applying certain exemptions as permitted by IFRS 1 for lessees who are also first-time adopters. These exemptions have been applied and allow the company to:

- Measure a lease liability at the date of transition to IFRSs being 1 April 2017 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRSs.
- Measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRSs being 1 April 2017.
- On a lease-by-lease basis:
    - Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
    - Account for leases for which the lease term ends within 12 months of the date of transition to IFRSs as short-term leases with associated lease payments being recognised on a straight-line basis over the lease term.
    - Account for leases for which the underlying asset is of low value as an expense with associated lease payments being recognised on a straight-line basis over the lease term. This means that the opening IFRS balance sheet as at 1 April 2017 has been restated along with comparative information for the year ended 31 March 2018.

30. First time adoption of FRS 101 (continued)

1 At transition date being 1 April 2017, the company recognised a right-of-use asset of £1,202,091. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentive received). Movements in right-of-use assets of £55,622 during the year ended 31 March 2018 have also been recognised. The cumulative effect on the tangible fixed asset balance to 31 March 2018 was £1,216,795.

2 At transition date being 1 April 2017, lease payments included in the measurement of the corresponding right-of-use asset lease liability are recognised being made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. These are then categorised between current and long term liabilities on the basis of when they fall due. Recognition of these liabilities has led to a creditor due within 1 year of £197,376 and creditor due in over 1 year of £1,004,715 being recognised as at 1 April 2017.

Subsequent to initial measurement, at 31 March 2018, the liability has moved for payments made and increased for interest on existing right-of-use assets. There have also been movements in respect of any new lease agreements entered into during the year ended 31 March 2018. These changes have led to a creditor due within 1 year of £271,427 and creditor due in over 1 year of £1,042,403 being recognised as at 31 March 2018.

3 At transition date being 1 April 2017, the company recognised a net deferred tax asset of £77,508 in respect of temporary timing differences upon adoption of IFRS 16.

This deferred tax asset moved by £7,040 during the year ended 31 March 2018 resulting in a closing restated asset of £70,468 at 31 March 2018 and a deferred tax profit and loss account movement of £7,040.

4 The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist. Depreciation of right-of-use assets of £241,844 and decapitalisation of cost relating to acquisitions of £55,622 have resulted in an additional expense for the year ended 31 March 2018. However, the depreciation charge has replaced the straight-line operating lease expense resulting in a decrease in expenditure of £255,566. The net impact on the administration expenditure for the year ended 31 March 2018 was £41,900.

5 The transition to IFRS 16 has resulted in the recognition of an interest expense of £55,136 for the year ended 31 March 2018 associated with the unwinding of underlying right-of-use lease liabilities.