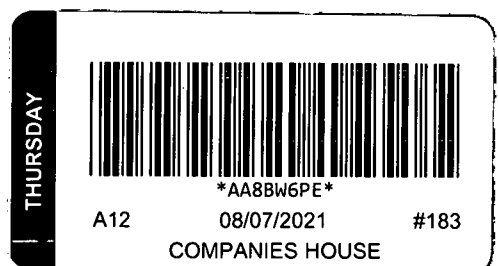


Drive Devilbiss Healthcare Limited

Annual report and financial statements
Registered number 04301005
For the year ended 31 December 2020



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Company Information

Directors

R J McGleenan
T Newby
M Thompson
S C R Adams (Appointed 1 October 2020)
J R Haughey (Resigned 31 August 2020)
G T Turner
G Abrahams
G Hartley
H Diamond (Resigned 27 February 2020)
J Schwarz

Secretary

S C R Adams

Registered Office

Sidhil Business Park
Holmfield
Halifax
West Yorkshire
HX2 9TN

Registered Number

04301005

Independent Auditor

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
West Yorkshire
LS11 5QR

Bankers

National Westminster Bank plc
Strand Branch
PO Box 414
38 Strand
London
WC2H 5JB

HSBC Bank plc
Yorkshire Corporate Banking Centre
4th Floor City Point
29 King Street
Leeds
LS1 2HL

Strategic Report

The Directors present their Strategic Report on the Group and Company for the year ended 31 December 2020.

Review of the Business and Future Developments

The group made an operating loss of £251,000 (2019: loss £1,956,000) before exceptional costs and impairment charges. There was an additional loss of £1,346,000 (2019: £3,849,000) relating to exceptional costs and an impairment charge. These additional costs relate to the following items:

Exceptional costs	2020	2019
	£'000	£'000
Loss in Australian subsidiary	(37)	1,417
Charge for impairment of intangible assets	-	1,244
Restructuring costs	396	819
Dilapidations	122	98
Product recall provisions	243	188
Covid related costs	401	-
Debtor write-off	128	-
Other	93	83
	1,346	3,849

The Group results for the year and financial position of the Group and Company are as shown in the annexed Financial Statements. Both turnover and gross profit for the year ended 31 December 2020 have remained broadly in line with prior year results. At an operating loss level, against 2019, operating losses have reduced significantly to £1,597,000 (2019 loss of £5,805,000) as a result of a reduction in exceptional costs of £2,503,000, a reduced level of amortisation (£1,023,000) and a continued reduction the level of distribution and administrative overheads costs.

The Group and Company continues to seek to increase market share in the future across all sectors in which the business currently operates. The Directors will continue to assess growth opportunities in the future, both organically and by further acquisition.

Business Monitoring/KPIs

The Group and Company operate a range of KPI's to monitor the health of the business. The main KPIs that are considered relevant to the Group are:

	2020	2019
	£'000	£'000
Turnover	99,966	105,492
EBITDA (excluding exceptional items and other gains and losses)	8,081	7,820
EBITDA % (excluding exceptional items and other gains and losses)	8.1%	7.4%
Gross margin %	33.0%	31.9%
Stock Levels	16,169	17,529

The measure of EBITDA (excluding exceptional items and other gains and losses) is a refinement on the prior year measure which had included the gains and losses. The revised measure brings the EBITDA number in line with internal management KPI's. The element referred to as gains and losses relates primarily to foreign exchange movements. Stock levels have continued to reduce significantly as a result of continued focus during the year on inventory management.

Strategic Report (continued)

Section 172 (1) Statement

The board recognises that the long-term sustainability and financial success of Drive Devilbiss Healthcare Limited ('the Group') is dependent upon the maintenance and sustainability of the business' relationship with its key stakeholders. The Directors are fully aware of their responsibilities to promote the success of the Group in accordance with section 172 of the Companies Act 2006 and are keen to reflect this in their consideration of their relationship with stakeholders.

The UK Board comprises of a Managing Director, Financial Director, Sales Director, Operations and Purchasing Director, R&D and Product Development Director, Service and Customer experience Director, Marketing Director and an appointed representative of the main US parent company (Medical Depot Holdings, Inc). The UK Executive committee comprises the UK board plus the Head of Human Resources.

The UK Executive committee meets regularly through a series of planned monthly and weekly meetings, many of which also include the wider Senior Management team that covers areas of operations, people, health and safety, sales and financial performance. The feedback from these meetings is shared with the International board which sits above the UK entity and comprises International leaders and the CEO and CFO of the intermediate US parent company (Medical Depot Holdings, Inc).

As part of their decision making processes the Directors review and consider the impact of their actions and decisions upon the Group's stakeholders. The Group has identified those key stakeholders as being investors, employees, suppliers and customers.

Investors

The Group comprises the businesses described in the consolidated financial statements and notes to the accounts. The ultimate parent company is CD & R Reign Topco Inc a company that is registered in the United States. They are a key provider of capital funding and as a wholly owned subsidiary the Group is required to deliver a return on their investment. The Group ensures regular communication with its ultimate parent company through:

- One of the UK board members is a nominated representative of the ultimate parent board;
- Annual financial targets and regular in year reforecasts are produced and signed off by both the Group and the ultimate parent company;
- Regular meetings between the ultimate parent company and the Group Directors and Senior Management to share and discuss monthly performance against annual targets and subsequent reforecasts;
- The ultimate parent company is engaged with for any significant investment or structural changes that may occur within the Group and prior approval is required in all cases.

Employees

The Directors are very aware that a major contributor to the continued success of the business are the employees. A long-term view of the business is encouraged through the provision of a defined contribution scheme and appropriate incentive schemes, such as bonuses for senior managers, and sales commissions which reward individuals for the achievement of short term financial targets.

Annual appraisal and objective setting is becoming imbedded in the culture of the business to focus employee efforts, ensure alignment with the business aims and identify areas for improvement in order to get the best out of employees and contribute to success.

The Group regularly engages in employee engagement surveys and intends to continue to do so during 2021 and beyond, with a view to identifying and where appropriate resolving issues that emerge. The survey is intended to provide a benchmark for continual improvement and ensure that we have the best and motivated teams in order to achieve the Group's strategic aims.

The Group also operates a confidential "whistle blower" hot line to ensure that any employee grievances, whether financial, HR related or otherwise, are tackled by the highest level of management within the company.

Strategic Report (continued)

Employees (continued)

The company also conducts regular appraisals and exit interviews, with staff on commencement and termination of employment with the company and ensures that any issues raised by the company are acted upon appropriately.

Suppliers

The Group has a varied number of suppliers with a substantial number by value of purchase being based outside of Europe. These suppliers are fundamental to the quality of our products and offerings to our current and future customers. Carefully selected partnerships with key suppliers provide us with reliability and product quality which supports our offerings. We work closely with our chosen suppliers to ensure that we have strong product traceability, ensure sustainability and compliance with relevant UK regulations including the Modern Slavery Act. We have developed a close partnership with our key suppliers and maintain a dialogue through our dedicated procurement teams to communicate changes in strategy or activities and the use of contracts to govern conditions of supply and terms of payment. The wider Drive Devilbiss group maintains a dedicated purchasing team within the far east, who manage group wide strategic supplier relationships and group wide supplier contract negotiation.

Customers

The ultimate end users of our products and services are people in need of medical care and support or Elderly and infirmed persons who benefit from our range of mobility products. We work closely with our customer base which covers both private and public care providers, including the NHS and its supply chain, and major retailers to ensure that our products deliver the correct solution.

Customer feedback, including surveys, continues to help us measure satisfaction and aid product improvement and development. The group provides regular training programs for our customers, both in person and virtually, to ensure that products are operated effectively in the field, so that new product features can be adequately understood by nursing staff and other end users, and potential product improvements can be identified and built into our product offering. Customer satisfaction and loyalty are crucial factors to determine our financial performance and we continually look to improve this.

Our Service Division offers customers a “one stop shop” to ensure that the products, that both the group supplies, and our competitors’ products which we are called upon to service and repair, operate effectively. We also offer a comprehensive range of equipment rental offerings to the NHS and medical care providers, to ensure that they are able to accommodate patients at times of peak demand.

- Our customers are essential to the delivery of our products and Services.
- Building and maintaining robust relationships and maintaining an appropriate level of communication with customers ensures that:
 - They receive the support, information, product and services they require to maintain their own success
 - They are listened to and their current and future needs are actioned
 - There is a formal feedback process in place

The COVID-19 pandemic has meant the directors have had to, and continue to, make key decisions that affect all stakeholders and the long-term success of the Group. Discussions have been ongoing on a regular basis with the primary aim during this period to keep the people safe and protect the wider communities, whilst maintaining a high-quality service to customers as they carry out essential medical diagnosis, treatments and interventions. In making any decisions the directors have had to comply with Government guidance and keep in regular contact with customers and suppliers to discuss their needs and stock availability.

From these discussions the Group has implemented several pro-active measures, such as:

- Keeping operations running for customers where it is safe to do so and where government measures allow;
- Homeworking for employees, where possible, and use of Video Conferencing communication technology to ensure on-going collaboration with employees at home, customers, and suppliers;
- Strict adherence to the 2 metre social distancing and hand hygiene guidelines in all areas of the business operations, coupled with enhanced cleaning regimes and the provision of hand sanitiser across all sites;
- Prohibited non-essential travel and face-to-face meetings; and

Strategic Report (continued)

Customers (continued)

- Cost saving actions undertaken to protect the value of the Business, including use of the government support schemes and cutting discretionary expenditure.

Principal Risks and Uncertainties

COVID-19

The impact of COVID-19 has been visible since mid-March 2020 and the situation continues to be actively managed by the Group. The dynamic UK government actions taken to contain the spread of COVID-19 has resulted in a severe slowdown to the Wider UK trading environment. Certain sectors within our group (for example retail of mobility aids) have been adversely impacted but this has been more than outweighed by the increased activity to support the crucial work the groups NHS customer base has been involved with during the out-break. The need to preserve the health and safety of colleagues, customers and suppliers has remained the groups primary concern during the outbreak. COVID-19 remains a feature of the business landscape but the Group believes that the decisive actions already taken and continuing monitoring and evaluation of the situation will help manage both the finances of the group and the operational impact of delivering services. During the initial phase of the Covid 19 outbreak within China, supply chains were initially disrupted, which delayed shipment of goods, primarily emanating out of the port of Shanghai, the group closely monitored delays in the shipment of goods, and prioritised key equipment supply, especially for items earmarked for the NHS supply chain, electing, some cases, to air freight key supplies rather than encounter shipping delays. The group has over a period of time, attempted to mitigated supply chain risk by dual sourcing many of the items purchased from the far east, second supply sources from unaffected regions were regularly monitored to help mitigate Covid delays. This approach should enable the Group and Company to be well placed to manage a reoccurrence of Covid-19.

Other Principal Risks and Uncertainties

The management of the business and the execution of the Group's and Company's strategy are subject to a number of risks. The key business risks affecting the Group and Company are set out below.

Competition

The Group and Company operate in a highly competitive market, particularly around price and product quality. This results not only in downward pressure on margins, but also in the risk that customers' expectations may not be met. In order to mitigate this risk, our sales team monitors market prices on an ongoing basis and market research is undertaken to understand our customers' expectations and whether their needs are being met.

Employees

The Group's and Company's performance depends largely on its management and staff. The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the results. To mitigate these issues, the Group and Company has introduced competitive remuneration packages and bonus schemes linked to results that are designed to retain key individuals.

Supply Chain

Given the Group's and Company's focus on product availability, products are sourced both nationally and internationally. At an international level, the Group and Company are exposed to potential supply chain disruptions due to delays/losses of stock in transit. In addition, the Group and Company is exposed to changing carriage-in costs due to the control of the shipping companies over containers arriving into the United Kingdom, together with fuel surcharges imposed on rail and road transport between the port and our warehouses. The Group and Company mitigates this risk through effective supplier selection and procurement practices, supplemented by appropriate insurance cover.

Strategic Report (continued)

Other Principal Risks and Uncertainties (continued)

Brexit

The Directors continue to monitor the impact of Brexit on its business. However the conclusion to date is that Brexit is not a risk to our ability to operate effectively as our business trades predominately in the UK. Most of our significant imports of goods are sourced from the Far East. The business continues to maintain close contact with our suppliers to identify and manage any potential issues as they arise.

Financial Risk Management

The Group's and Company's operations expose it to a variety of financial risks that include the effect of changes in foreign currency exchange rates, credit risk, liquidity risk and interest rate risk. The Group and Company has a risk management programme in place that seeks to limit the potential adverse effects of these risks on financial performance as far as possible. The Group and Company has secured borrowings from the Royal Bank of Scotland plc, Lloyds Bank plc, and from group undertakings. The external borrowings are conditional on adherence to the financial covenants under the loan agreements. The Group and Company therefore need to trade within the terms of the loan agreements and the ability to expand in the future both organically and via acquisition will depend, in part, on the availability of additional finance on terms acceptable to the Group and Company. During the 2018 year the Company entered into an agreement with ING Luxembourg SA to sell certain trade receivables on a without recourse basis.

The Group's and Company's financial statements include derivative financial instruments, the purpose of which is to manage currency risks arising from trading activities. Derivative transactions into which the Group and Company enters are mainly forward exchange contracts.

Foreign Exchange Risk

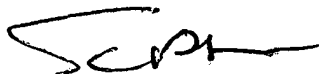
The Group and Company undertake sale and purchase transactions denominated in foreign currencies and is principally exposed to movements in US dollars and the Euro. Whilst these currencies are reasonably stable the current uncertainties in the UK economic environment principally from uncertainties surrounding the outcome of the Brexit process mean that the risk is managed wherever possible by maintaining bank accounts denominated in those currencies and through entering into currency option agreements in order to protect gross margins.

Credit Risk

The Group and Company have implemented policies that require appropriate credit checks on potential customers before sales are made. The Group and Company actively monitor and chase all outstanding receivables and accounts are stopped or suspended, where necessary, in order to limit the risk of non-payment.

Credit insurance is obtained for the largest customer accounts and on other accounts where considered appropriate.

By order of the Board



Mr S C R Adams
Director

30 June 2021

Directors' Report

The Directors present their report and the audited Financial Statements of the Group and Company for the year ended 31 December 2020.

Principal Activity

The principal activity of the Group and Company in the year under review was that of manufacturer, wholesaler and distributor of mobility aids and healthcare equipment to both the UK domestic and export markets. Certain information required by the Companies Act 2006 relating to the information to be provided in the Report of the Directors is set out in the Strategic Report and includes: future developments and principal risks and uncertainties.

Results and Dividends

The loss for the year before taxation amounted to a loss of £3,554,000 (2019 – loss £11,100,000). The taxation charge was a credit of £92,000 (2019 – credit of £129,000) leaving a loss after taxation of £3,462,000 (2019 – loss £10,971,000). The Directors do not recommend the payment of a dividend.

Directors

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

R J McGleenan
G Abrahams
T Newby
G Hartley
S C R Adams (Appointed 1 October 2020)
J R Haughey (Resigned 31 August 2020)
H Diamond (Resigned 27 February 2020)
M Thompson
J Schwarz
GT Turner

Employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and divisions and of the Group/Company as a whole.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitude and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the Group's policy that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

SECR Reporting

The Company and the Group are classed as large for Streamlined Energy and Carbon reporting purposes however both the Company and the Group consumes less than 40,000kWh of energy each year it qualifies as a low energy user and therefore is exempt from reporting under these regulations.

Directors' Report (continued)

Going concern

The Directors, having reviewed the forecast results and financial position of the Group and Company, are satisfied that the Group and Company have sufficient financial support and resources to continue in operation for the foreseeable future.

As part of this review the Directors have assessed the risks presented by Covid-19 and have reforecast the current 2021 position as well as looking out to 31 December 2022 to get a most plausible base case.

This base case reflects:

- A limited impact on the Group and the Company as a result of a temporary reduction in trading due to possible further restrictions placed on the retail customers of the business resulting from the closure of retail trading outlets during the course of the period under review.

As part of the reforecast process the Directors have also assessed possible downside scenarios and identified possible mitigating factors that could be actioned if necessary. This scenario review has included looking at reverse stress testing for the company and each of its two trading subsidiaries separately. These individual reverse stress tests have then been aggregated to get a group view on reverse stress testing. The reverse stress testing models a decline in performance comfortably in excess of that experienced by the Group and Company during the pandemic.

In December 2019 the ultimate parent company, Medical Depot Inc, forgave £69m of intercompany debt. At 31 December 2020 the remaining outstanding liability to the parent entity (as disclosed in note 15) was £20.0m. This remaining amount is a long-term liability.

The Directors have made enquiries of the Directors of the ultimate parent company, Medical Depot Inc. ("Medical Depot"), about their ongoing support in the form of non-repayment of the remaining £20.0m (and interest on the same). Based on the confirmations received, the Directors have no reason to believe that the balance (and associated interest accruing) will be required to be repaid or recalled for a period of at least twelve months from the date of approval of these Financial Statements. The Directors are not aware of any other circumstances that could impact on this arrangement with its parent company.

Medical Depot negotiated an extension and revision to its own credit facilities in October 2019. The revised Medical Depot credit facilities are with JPMorgan Chase Bank as the administrative agent and collateral agent and the new or extended facilities are with the Delaware Trust Company as the administrative and collateral agent. Both arrangements required the company and its subsidiaries to enter into formal guarantee agreements with the collateral agents. These formal guarantees were registered at Companies House in March 2020. These guarantees represent a contingent liability which could crystallize in the event of Medical Depot being in breach of its financial covenants on the facilities. The UK directors have made enquiries with the Directors of Medical Depot, about its forecasting of the quarterly covenant obligations up to 31 December 2021. The directors of Medical Depot have confirmed that having revisited their forecasts for Covid-19 impacts they believe the covenants will be met at each quarterly measurement date and that there is sufficient headroom within the covenant calculations for downside sensitivities on the forecasts. The company directors have therefore concluded that the chances of this contingent liability crystallising within the foreseeable future are remote.

The UK Group does not require nor is it relying on any new or additional funding from Medical Depot over the assessment period. As set out in note 18 the Group and Company has its own dedicated lines of finance to meet its cashflow and working capital needs. At 31 December 2020 these UK lines of finance comprised a £1m term loan from National Westminster Bank Plc and separate £7m term loan and revolver facility with Lloyds Bank Plc. The latter was negotiated in July 2019 and is a three-year agreement.

Directors' Report (continued)

Going concern (continued)

The term loan with National Westminster Bank Plc was repaid, as scheduled in November 2020, without any additional drawdown from the Lloyds Bank facility. The company then entered into a new 12 month loan with the National Westminster Bank Plc part of which is a monthly amortising loan and the remainder repayable in November 2021. Separate from these banking facilities the Company continues to utilize an agreement with ING Luxembourg SA to sell certain trade receivables on a without recourse basis. The forecasts have been prepared reflecting the ING Luxembourg SA inflows as working capital receipts.

Throughout the period to 31 December 2023, the Group and Company is forecast to generate underlying EBITDA and be cash generative, therefore the Directors believe there is sufficient liquidity for the foreseeable future.

All Group and Company bank loans have been repaid in accordance with the loan repayment schedules and all banking covenants have been satisfied. The forecasts indicate this will continue to be the case.

Having regard to the trading and cashflow projections for the Group and Company under a number of different scenarios for at least the next twelve months, together with the financing arrangements referred to above, the Directors are satisfied that the Group and Company will be able to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the Financial Statements

Events after the Reporting Period

There have been no significant events after the year end.

Provision of Information to Auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps they might reasonably be expected to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Under section 487 of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier. Ernst & Young LLP has signified its willingness to continue in office as auditor.

On behalf of the Board



Mr S C R Adams
Director

30 June 2021

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Report of the Directors, the Strategic Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent 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 Group and Parent 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 the Financial Statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRIVE DEVILBISS HEALTHCARE LIMITED

Opinion

We have audited the financial statements of Drive Devilbiss Healthcare Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 26, 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 FRS 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 group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period ending 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRIVE DEVILBISS HEALTHCARE LIMITED (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRIVE DEVILBISS HEALTHCARE LIMITED (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

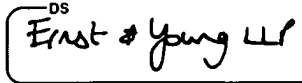
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are UK GAAP - FRS 102, the Companies Act 2006 and the relevant tax compliance regulations within the United Kingdom.
- We understood how Drive Devilbiss Healthcare Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes, papers provided to and discussions with those charged with governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was a susceptibility to fraud. We also considered performance targets and the propensity to influence efforts made by management to manage earnings. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals to revenue and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved using data analytics to consider the full population of journal entries, focusing our work on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards and UK legislation.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRIVE DEVILBISS HEALTHCARE LIMITED (continued)

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 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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is enclosed in a thin black rectangular box. Above the first letter of "Ernst", there is a small superscript "DS".

Peter Buckler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

June 30, 2021

Consolidated profit and loss account
For the year ended 31 December 2020

	<i>Note</i>	2020 £'000	2019 £'000
Continuing Operations			
Turnover	3	99,966	105,492
Cost of sales		<u>(66,881)</u>	<u>(71,852)</u>
Gross profit		33,085	33,640
Distribution costs		(14,349)	(15,925)
Amortisation, depreciation and impairment	8,9	(7,395)	(10,068)
Exceptional administrative and operating expenses		(1,346)	(2,605)
Administrative and other operating expenses		(11,338)	(9,893)
Government Grant		683	-
Other (losses)/gains	13	<u>(937)</u>	<u>(954)</u>
Operating loss	4	(1,597)	(5,805)
Interest payable and similar charges	6	<u>(1,957)</u>	<u>(5,295)</u>
Loss on ordinary activities before taxation		(3,554)	(11,100)
Tax on profit on ordinary activities	7	92	129
Loss for the financial year attributable to owners of the parent		<u>(3,462)</u>	<u>(10,971)</u>
Other Comprehensive Income			
Currency translation differences		<u>(21)</u>	<u>75</u>
Other comprehensive income for the year, net of tax		(21)	75
Total comprehensive Loss for the Year Attributable to Owners of the Parent		<u>(3,483)</u>	<u>(10,896)</u>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The loss for the Company for the year was £4,593,000 (2019: £13,124,000).

The Accounting Policies and Notes on pages 21 to 45 form part of these Financial Statements.

Consolidated balance sheet

At 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Fixed assets			
Intangible assets	<i>8</i>	27,643	32,672
Tangible assets	<i>9</i>	9,383	10,765
		<u>37,026</u>	<u>43,437</u>
Current assets			
Stocks	<i>11</i>	16,169	17,847
Debtors	<i>12</i>	13,222	15,838
Cash at bank and on hand		6,796	7,121
		<u>36,187</u>	<u>40,806</u>
Creditors: amounts falling due within one year	<i>14</i>	<u>(22,797)</u>	<u>(20,900)</u>
Net current assets		<u>13,390</u>	<u>19,906</u>
Total assets less current liabilities		<u>50,416</u>	<u>63,343</u>
Creditors due after more than one year	<i>15</i>	(22,060)	(30,844)
Provisions for liabilities	<i>17</i>	(3,560)	(4,220)
Net assets/(liabilities)		<u>24,796</u>	<u>28,279</u>
Capital and reserves			
Called up share capital	<i>19</i>	616	616
Share premium		3	3
Retained earnings		24,129	27,591
Translation reserve		48	69
Equity Attributable to Owners of the Parent		<u>24,796</u>	<u>28,279</u>

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 June 2021, and were signed on its behalf by:



Mr S C R Adams

The Accounting Policies and Notes on pages 21 to 45 form part of these Financial Statements.

Company balance sheet

At 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Fixed assets			
Intangible assets	8	5,535	6,802
Tangible assets	9	3,108	3,201
Investments	10	40,502	40,502
		49,145	50,505
Current assets			
Stocks	11	12,221	13,122
Debtors	12	17,285	18,476
Cash at bank and on hand		4,387	5,634
		33,893	37,232
Creditors: amounts falling due within one year	14	(38,393)	(29,877)
Net current (liabilities)/assets		(4,500)	7,355
Total assets less current liabilities		44,646	57,860
Creditors due after more than one year	15	(20,024)	(28,380)
Provisions for liabilities	17	(982)	(1,247)
Net assets/(liabilities)		23,640	28,233
Capital and reserves			
Called up share capital	19	616	616
Share premium		3	3
Retained earnings		23,021	27,614
Equity Attributable to Owners of the Parent		23,640	28,233

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 June 2021 and were signed on its behalf by:



Mr S C R Adams

The Accounting Policies and Notes on pages 21 to 45 form part of these Financial Statements.

Consolidated statement of changes in equity

At 31 December 2020

	Called-up Share Capital £'000	Share premium £'000	Translation Reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2019	616	3	(6)	(30,876)	(30,263)
Transactions with owners – intra- group loan write off (note 15)	-	-	-	69,438	69,438
Loss for the year	-	-	-	(10,971)	(10,971)
Other comprehensive income - currency translation differences	-	-	75	-	75
Total comprehensive income/(loss)	-	-	75	(10,971)	(10,896)
Balance as at 31 December 2019	616	3	69	27,591	28,279
Loss for the year	-	-	-	(3,462)	(3,462)
Other comprehensive income - currency translation differences	-	-	(21)	-	(21)
Total comprehensive income/(loss)	-	-	(21)	(3,462)	(3,483)
Balance at 31 December 2020	616	3	48	24,129	24,796

Share Premium

This reserve records the difference between the net proceeds of issue for shares and the nominal value of those same shares.

Translation Reserve

The results of overseas subsidiaries are translated at the average rate for the year. Assets and liabilities of overseas subsidiaries are translated at the rate ruling at the reporting date. The exchange difference arising on the retranslation of net assets brought forward and from the translation of the profits or losses at average rates are posted directly to this reserve.

The Accounting Policies and Notes on pages 20 to 44 form part of these Financial Statements.

Company statement of changes in equity

Year ended 31 December 2020

	Called-up Share Capital £'000	Share premium £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2019	616	3	(28,700)	(28,081)
Transactions with owners – intra-group loan write off (note 15)	-	-	69,438	69,438
Loss for the year	-	-	(13,124)	(13,124)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(13,124)	(13,124)
Balance as at 31 December 2019	616	3	27,614	28,233
Loss for the year	-	-	(4,593)	(4,593)
Total comprehensive loss	-	-	(4,593)	(4,593)
Balance at 31 December 2020	616	3	23,021	23,640

The Accounting Policies and Notes on pages 21 to 45 form part of these Financial Statements.

Consolidated cash flow statement

For the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Cash from operating activities	<i>21</i>	12,602	13,413
Taxation received/paid		(731)	(381)
Net cash generated from operating activities		11,871	13,032
Cash flow from investing activities			
Purchase of tangible and intangible assets		(1,070)	(2,343)
Proceeds from disposal of tangible assets		69	191
Net cash outflow from investing activities		(1,001)	(2,152)
Cash flow from financing activities			
Repayment of obligations under finance leases		(16)	(83)
Repayment of loan facilities		(1,450)	(1,343)
Funds received from loan facilities		1,012	3,000
Funds repaid to parent undertakings		(8,283)	(5,897)
Interest paid		(1,958)	(374)
Net cash outflow from financing activities		(10,695)	(4,697)
Net decrease in cash and cash equivalents		175	6,183
Foreign exchange movements		-	-
Cash and cash equivalents at the beginning of the year		6,621	438
Cash and cash equivalents at the end of the year		6,796	6,621
Cash and cash equivalents consist of:			
Bank overdraft		-	(500)
Cash at bank and in hand		6,796	7,121
Cash and cash equivalents		6,796	6,621

The Accounting Policies and Notes on pages 21 to 45 form part of these Financial Statements.

Notes to the financial statements

1 Accounting policies

1.1 General Information

The principal activities of Drive DeVilbiss Healthcare Limited (“the Company”) and its subsidiaries (together “the Group”) is that of manufacturer, wholesaler and distributor of mobility aids and healthcare equipment to both the UK domestic and export markets.

The Company is a private company limited by shares and is incorporated in England. The address of the registered office is Heathfield Lane, Birkenshaw, West Yorkshire BD11 2HW.

1.2 Statement of Compliance

The Group and individual financial statements of Drive DeVilbiss Healthcare Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) and the Companies Act 2006.

1.3 Summary of Significant Accounting Policies

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

1.4 Basis of Preparation

These Group and Parent Company financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

1.5 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. The Company has taken advantage of the following exemptions:

- from preparing a cash flow statement, on the basis that it is a qualifying entity and the group cash flow statement, included in these financial statements, includes the Company’s cash flows; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

1.6 Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of the Company and its subsidiary undertakings for the year ended 31 December 2020.

Subsidiaries are entities controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group applies the acquisition method of accounting to business combinations.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.6 Basis of Consolidation (continued)

The consideration transferred for the acquisition of subsidiaries is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are added to the total consideration due, unless they result from the issuance of shares, in which case they are offset against the premium on those shares within equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The unwinding of the discount on contingent consideration liabilities is recognised within interest payable and similar charges in the Group Statement of Comprehensive Income.

Uniform accounting policies are used for all Group companies. Profits or losses on intra-group transactions are eliminated on consolidation together with intra-group balances at the balance sheet date.

1.7 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes. The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the entity.

Revenue for goods supplied is recognised when goods are despatched and delivered to customers. Revenue from services is recognised over the period in which the service is provided.

1.8 Exceptional Items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group. Items that are material, either because of their size or their nature, or because they are non-recurring, are considered as exceptional items and are presented within the line items to which they best relate.

1.9 Employee Benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Group makes contributions to individual money purchase arrangements. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. The assets of the arrangements are held separately from the Group in independently administered funds.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.10 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior periods.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Timing differences are differences between taxable profits and results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are not discounted.

1.11 Foreign Currencies

The Group and Company Financial Statements are presented in pound sterling. The Company's functional and presentational currency is pound sterling.

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

Results of overseas subsidiaries are translated at the average rate for the year. Assets and liabilities of overseas subsidiaries are translated at the rate ruling at the reporting date. The exchange difference arising on the retranslation of net assets brought forward and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and taken directly to reserves.

1.12 Tangible Assets

Tangible assets are stated at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

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

Computer equipment and software	- 33% to 100% of cost
Fixtures and fittings	- 20% to 25% of cost
Plant, machinery and tooling	- 10% to 20% of cost
Rental Products	- 20% to 100% of cost
Motor vehicles	- 20% to 50% of cost
Freehold buildings	- 2% to 4% of cost
Leasehold improvements	- over the term of the lease

Land is not depreciated.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.13 Business Combinations and Goodwill

Business combinations are accounted for by applying the acquisition method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill arising on the acquisition of businesses and subsidiaries is included in 'intangible assets'.

Goodwill is amortised through profit or loss in equal instalments over its estimated useful life of between 5 and 10 years. Goodwill is reviewed annually for indicators of impairment. Where there are indicators a detailed impairment test is performed. Goodwill is carried at cost less accumulated amortisation and impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.14 Goodwill and Intangibles from Business Acquisitions/Other Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill and Intangibles from Business Acquisitions not in separate entities are amortised through profit or loss in equal instalments over their estimated useful economic life of between 5 and 10 years. Other intangible assets comprise intangible assets arising from business combinations and business acquisitions which are recognised separately from goodwill, including trademarks, product design and customer contracts and relationships. Other intangible assets are amortised through the profit or loss in equal instalments over the estimated useful life of the assets of up to 11 years.

Details of other intangible assets recognised separately from goodwill are disclosed in Note 8, together with their estimated useful economic lives.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.15 Investments

Investments in subsidiary undertakings held as fixed assets are stated at cost less provision for any impairment.

1.16 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Stock is recognised as an expense in the period in which the related revenue is recognised. Cost includes costs incurred in bringing each product to its present location and condition and includes the cost of duty, shipping and other transport costs, where applicable.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Transfers from stocks to the hire fleet of rental products are done at cost (as defined above).

1.17 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts.

1.18 Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets are initially measured at fair value, which is normally the transaction price.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.18 Financial Instruments (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and overdrafts and amounts due to group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

1.19 Leasing and Hire Purchase Commitments

Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group and Company. Assets obtained under finance leases and hire purchase contracts are capitalised as tangible assets at the lower of fair value or the present value of the minimum lease payments at the inception of the lease. 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. 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.

Operating leases are those that do not transfer all the risks and rewards of ownership. Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.20 Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time, where material, is recognised as a finance cost.

1.21 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group Financial Statements.

1.22 Going Concern

The Directors, having reviewed the forecast results and financial position of the Group and Company, are satisfied that the Group and Company have sufficient financial support and resources to continue in operation for the foreseeable future.

As part of this review the Directors have assessed the risks presented by Covid-19 and have reforecast the current 2021 position as well as looking out to 31 December 2022 to get a most plausible base case.

This base case reflects:

- A limited impact on the Group and the Company as a result of a temporary reduction in trading due to possible further restrictions placed on the retail customers of the business resulting from the closure of retail trading outlets during the course of the period under review.

As part of the reforecast process the Directors have also assessed possible downside scenarios and identified possible mitigating factors that could be actioned if necessary. This scenario review has included looking at reverse stress testing for the company and each of its two trading subsidiaries separately. These individual reverse stress tests have then been aggregated to get a group view on reverse stress testing. The reverse stress testing models a decline in performance comfortably in excess of that experienced by the Group and Company during the pandemic.

At 31 December 2020 the outstanding liability to the parent entity (as disclosed in note 15) was £20.0m. This remaining amount is a long-term liability governed by an a formal legally binding agreement and has a repayment date of 20 December 2024. Based on the executed legal agreements, the Directors have no reason to believe that the capital balance will be required to be repaid prior to 20 December 2024. The Directors are not aware of any other circumstances that could impact on this arrangement with its parent company.

Medical Depot negotiated an extension and revision to its own credit facilities in October 2019. The revised Medical Depot credit facilities are with JPMorgan Chase Bank as the administrative agent and collateral agent and the new or extended facilities are with the Delaware Trust Company as the administrative and collateral agent. Both arrangements required the company and its subsidiaries to enter into formal guarantee agreements with the collateral agents. These formal guarantees were registered at Companies House in March 2020.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.22 Going Concern (continued)

These guarantees represent a contingent liability which could crystallize in the event of Medical Depot being in breach of its financial covenants on the facilities. The UK directors have made enquiries with the Directors of Medical Depot, about its forecasting of the quarterly covenant obligations up to 31 December 2022. The directors of Medical Depot have confirmed that having revisited their forecasts for Covid-19 impacts they believe the covenants will be met at each quarterly measurement date and that there is sufficient headroom within the covenant calculations for downside sensitivities on the forecasts. The company directors have therefore concluded that the chances of this contingent liability crystallising within the foreseeable future are remote.

The UK Group does not require nor is it relying on any new or additional funding from Medical Depot over the assessment period. As set out in note 18 the Group and Company has its own dedicated lines of finance to meet its cashflow and working capital needs. At 31 December 2020 these UK lines of finance comprised a £1m term loan from National Westminster Bank Plc and a separate £7m term loan and revolver facility with Lloyds Bank Plc which was negotiated in July 2019 and is a three-year agreement.

In November 2020 the company repaid the previous loan with National Westminster Bank Plc and then entered into a new 12 month loan with them part of which is a monthly amortising loan and the remainder repayable in November 2021. Separate from these banking facilities the Company continues to utilize an agreement with ING Luxembourg SA to sell certain trade receivables on a without recourse basis. The forecasts have been prepared reflecting the ING Luxembourg SA inflows as working capital receipts.

Throughout the period to 31 December 2022, the Group and Company is forecast to generate underlying EBITDA and be cash generative, therefore the Directors believe there is sufficient liquidity for the foreseeable future.

All Group and Company bank loans have been repaid in accordance with the loan repayment schedules and all banking covenants have been satisfied. The forecasts indicate this will continue to be the case.

Having regard to the trading and cashflow projections for the Group and Company under a number of different scenarios for at least the next twelve months, together with the financing arrangements referred to above, the Directors are satisfied that the Group and Company will be able to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

The Group and Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of intangible assets and goodwill (Note 8)

The Group and Company consider whether intangible assets and goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. No impairment arose in the current year.

Notes to the financial statements (continued)

2 Critical accounting judgements and estimation uncertainty (continued)

Provisions for liabilities (Note 17)

Provisions have been made for dilapidations and product warranty. These provisions require Management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require Management's judgement.

3 Turnover

An analysis of turnover by geographical market is given below:

	2020	2019
	£'000	£'000
United Kingdom	92,454	102,823
Rest of Europe	6,992	1,300
Rest of World	520	1,369
	99,966	105,492

An analysis by category of revenue is given below:

The sale of goods	85,153	90,569
The rendering of services	14,813	14,923
	99,966	105,492

The Group operates one class of business, being its principal activity. All turnover, profit before taxation and net assets are therefore attributable to this activity.

Notes to the financial statements (continued)

4 Operating Loss

Operating loss is stated after charging/(crediting):	2020	2019
	£'000	£'000
<i>Exceptional non-recurring items</i>		
Loss in Australian subsidiary	(37)	1,417
Impairment of intangible assets	-	1,244
Restructuring costs	396	819
Product recall provisions	243	188
Covid related costs	401	-
Dilapidation provision	122	98
Debt write off	128	-
Other	93	83
<i>Recurring items:</i>		
Depreciation - owned assets	2,383	2,759
Depreciation – assets on hire purchase contracts	-	13
Amortisation of intangible fixed assets	5,029	6,052
Auditors remuneration		
- fees payable for the audit of financial statements	149	145
Foreign exchange differences	915	954
Loss/(gain) on disposal of fixed assets	36	135

The charge for amortisation of intangible fixed assets is included within administrative and other operating expenses.

5 Employees

Staff Costs (including Directors):	2020	2019
	£'000	£'000
Wages and salaries	17,702	18,131
Social security costs	1,655	1,570
Other pension costs	595	475
	19,952	20,176

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

Employee numbers (including Directors):	No.	No.
	2020	2019
Office and management	152	166
Sales	75	73
Production, Warehouse and distribution	352	374
	579	613

Pension costs outstanding as at 31 December 2020 were £102,000 (2019: £124,000).

Notes to the financial statements (continued)

5 Employees (continued)

	2020 £'000	2019 £'000
Directors' emoluments and other benefits	1,052	961
Company pension contributions to money purchase schemes	46	48
	<hr/> 1,098	<hr/> 1,009
	<hr/> <hr/>	<hr/> <hr/>

Information regarding the highest paid director is as follows:

	2020 £'000	2019 £'000
Emoluments and other benefits	233	219
Company pension contributions to money purchase schemes	6	6
	<hr/> 239	<hr/> 225
	<hr/> <hr/>	<hr/> <hr/>

The total key management personnel compensation is £1,745,000 (2019: £1,462,000)

In the financial year end 31 December 2020 Drive Devilbiss Healthcare Limited incurred Directors' remuneration on behalf of its subsidiary entities Drive Devilbiss Sidhil Limited and Specialised Orthotic Services Limited and did not recharge them.

6 Interest Payable and Other Charges

	2020 £'000	2019 £'000
Interest payable to related parties	1,764	4,921
Other interest payable	4	-
Interest on bank loans	189	374
	<hr/> 1,957	<hr/> 5,295
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

7 Taxation

	2020 £'000	2019 £'000
Current tax:		
UK Corporation tax	329	297
Adjustments in respect of prior periods	134	(1)
Total current tax	463	296
Deferred Tax:		
Origination and reversal of timing differences	(165)	(219)
Adjustments in respect of prior periods	(30)	135
Effect of tax rate changes	(18)	-
Release of deferred taxation on separately identifiable intangibles	(342)	(342)
Total deferred tax (see note 17)	(555)	(425)
Total tax in the profit and loss account	(92)	(129)

Factors affecting tax charge for the year:

The current tax assessed for the year is higher (2019 – higher) than the standard rate of corporation tax in the UK of 19.00% (2019- 19.00%).

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2020 £'000	2019 £'000
Loss before taxation	(3,554)	(11,100)
Tax using the UK corporation tax rate of 19.0% (2019: 19.0%)	(675)	(2,109)
Effects of:		
Effect of Foreign tax rates	3	(120)
Expenses not deductible	50	374
Fixed asset differences	732	387
Net deferred tax not recognised/(utilised) in the year	(187)	1,036
Rate differences	(4)	63
Adjustment in respect of prior periods	(11)	240
Tax charge /(credit) for the year	(92)	(129)

All taxation relates to continuing operations

In the March 2020 budget it was announced that the rate of corporation tax would remain at 19% from 1 April 2020 instead of 17% which had previously enacted in the Finance Act 2016. Accordingly, deferred tax balances have been valued at the rate of 19% in these accounts to the extent that timing differences are expected to reverse after this date.

Notes to the financial statements (continued)

8 Intangible assets

Group	Goodwill on Consolidation £'000	Goodwill and Intangibles from Business Acquisitions £'000	Other Intangible Assets £'000	Total £'000
Cost				
At 1 January 2020 and 31 December 2020	30,170	32,001	9,223	71,394
Amortisation				
At 1 January 2020	16,898	17,213	4,611	38,722
Charge for the year	1,962	2,175	892	5,029
Impairment	-	-	-	-
At 31 December 2020	18,860	19,388	5,503	43,751
Net Book Value				
At 31 December 2020	11,310	12,613	3,720	27,643
At 31 December 2019	13,272	14,788	4,612	32,672
Company		Goodwill and Intangibles from Business Acquisitions £'000	Other Intangible Assets £'000	Total £000
Cost				
At 1 January 2020 and 31 December 2020		13,501	9,151	22,652
Amortisation				
At 1 January 2020		11,311	4,539	15,850
Charge for the year		375	892	1,267
Impairment		-	-	-
At 31 December 2020		11,686	5,431	17,117
Net Book Value				
At 31 December 2020		1,815	3,720	5,535
At 31 December 2019		2,190	4,612	6,802

Notes to the financial statements (continued)

8 Intangible assets (continued)

Group

The individual intangible assets which are material to the Group Financial statements are:

Group	Carrying amount		Remaining amortisation period (years)	
	2020 £'000	2019 £'000	2020 No.	2019 No.
Goodwill on consolidation	11,310	13,272	7	8
Goodwill and intangibles from business acquisitions	12,613	14,788	7	8
Other intangible assets	3,720	4,612	6	7

Company

The individual intangible assets which are material to the Company Financial statements are:

	Carrying amount		Remaining amortisation period (years)	
	2020 £'000	2019 £'000	2020 No.	2019 No.
Goodwill and intangibles from business acquisitions	1,815	2,190	5	6
Other intangible assets	3,720	4,612	6	7

Notes to the financial statements (continued)

9 Tangible assets

Group

	Freehold Land and Buildings £'000	Leasehold improvements £'000	Computer equipment and Software £000	Fixtures and Fittings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost							
At 1 January 2020	4,837	2,428	1,500	1,742	8,835	1,831	21,173
Additions	21	149	262	-	624	14	1,070
Disposals	-	(19)	-	-	(92)	(30)	(141)
At 31 December 2020	4,858	2,558	1,762	1,742	9,367	1,815	22,102
Depreciation							
At 1 January 2020	669	1,051	1,355	1,563	4,362	1,408	10,408
Charge for the year	162	380	191	69	1,449	133	2,383
Disposals	-	(11)	-	-	(49)	(13)	(73)
At 31 December 2020	831	1,420	1,546	1,632	5,762	1,528	12,719
Net book value							
At 31 December 2020	4,027	1,138	216	110	3,605	287	9,383
At 1 January 2020	4,168	1,377	145	179	4,473	423	10,765

The net carrying amount of assets held under finance leases and hire purchase contracts included in plant, machinery and tooling and motor vehicles is £nil (2019 - £86,000).

Notes to the financial statements (continued)

9 Tangible assets (continued)

Company

	Freehold Land and Buildings £'000	Leasehold improvements £'000	Computer equipment and Software £000	Fixtures and Fittings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost							
At 1 January 2020	2,150	1,661	1,713	2,125	1,679	845	10,173
Additions	-	146	218	-	134	10	508
Disposals	-	-	-	-	-	(27)	(27)
At 31 December 2020	2,150	1,807	1,931	2,125	1,813	828	10,654
Depreciation							
At 1 January 2020	327	795	1,533	1,949	1,562	806	6,972
Charge for the year	59	236	155	59	65	11	585
Disposals	-	-	-	-	-	(11)	(11)
At 31 December 2020	386	1,031	1,688	2,008	1,627	806	7,546
Net book value							
At 31 December 2020	1,764	776	243	117	186	22	3,108
At 1 January 2020	1,823	866	180	176	117	39	3,201

The net carrying amount of assets held under finance leases and hire purchase contracts included in plant, machinery and tooling and motor vehicles is £nil (2019 - £86,000).

The freehold property includes premises occupied by a subsidiary; this has not been classified by the company as Investment property

Notes to the financial statements (continued)

10 Investments

Company Shares in Group Undertakings

	2020	2019
	£000	£000
At 1 January 2020 and 31 December 2020	40,502	40,502

Investments in group undertakings are unlisted and stated at cost. As permitted by Section 615 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

The Company's subsidiary undertakings, all of which are included in the consolidation, are as follows:

Name	Shares held by Group	Nature of business
Endres UK Limited ¹	100%	Dormant
Mountway Holdings Limited ¹	100%	Dormant
Aquajoy Bathlifts Limited ¹	100%	Dormant
Mountway Limited ¹	100%*	Dormant
Drive Medical Pty Limited ² (incorporated in Australia)	100%	Distribution of mobility aids and healthcare products
Specialised Orthotic Services Limited ¹	100%	Manufacture and distribution of specialised seating and mobility products
Park House Healthcare Limited ¹	100%	Dormant
Sidhil Group Limited ¹	100%	Dormant
Drive Devilbiss Sidhil Ltd ¹	100%*	Manufacture, supply and service of pressure area care products in acute sector

All subsidiary undertakings are incorporated in England & Wales unless otherwise stated.

* Mountway Limited is wholly owned by Mountway Holdings Limited; Drive Devilbiss Sidhil Ltd is wholly owned by Sidhil Group Limited.

Registered office addresses

- 1 Sidhil Business Park, Holmfield, Halifax, West Yorkshire, HX2 9TN
- 2 Building F, 2 Hudson Avenue, Castle Hill NSW 2154, Australia

Notes to the financial statements (continued)

11 Stock

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Finished goods and goods for resale	14,655	16,147	12,221	13,122
Raw materials and consumables	1,514	1,656	-	-
Work in progress	-	44	-	-
	16,169	17,847	12,221	13,122

Group stock is stated after provisions for impairment of £2,874,000 (2019 - £2,650,000). Company stock is stated after provisions for impairment of £1,952,000 (2019 - £2,198,000).

Stocks recognised as an expense in the period were £66,970,000 (2019 - £69,059,000) for the group and £53,849,000 (2019 - £57,225,000) for the company.

12 Debtors

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade debtors	9,368	11,515	6,650	7,586
Amounts due from group undertakings	370	1,077	7,339	7,749
Other debtors	1,717	1,492	1,421	1,492
Prepayments	1,767	1,754	878	921
Corporation tax	-	-	997	728
	13,222	15,838	17,285	18,476

Amounts owed by group and subsidiary undertakings are unsecured, have no fixed date of repayment and are payable on demand.

13 Derivative Financial Instruments

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Forward foreign currency exchange contracts	(1,210)	(272)	(892)	(272)

Forward foreign currency contracts are valued using year-end forward exchange rates matching the maturities of the contracts. Fair value losses on contracts measured at fair value through profit or loss during the year ended 31 December 2020 amounted to £915,000 (2019 – a loss of £954,000).

Notes to the financial statements (continued)

14 Creditors: due within one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank and other borrowings (Note 18)	1,430	1,940	1,002	1,012
Trade Creditors	9,238	6,353	6,226	3,675
Amounts due to group undertakings	496	1,110	23,605	15,726
Derivative financial instruments	1,210	272	892	272
Finance leases and hire purchase contracts	-	16	-	16
Corporation tax	200	5	-	-
Taxation and social security	3,025	1,772	1,297	899
Other Creditors	1,749	604	250	32
Accruals and deferred income	5,449	8,828	5,121	8,245
	22,797	20,900	38,393	29,877

Amounts due to group undertakings are unsecured, have no fixed date of repayment, incur interest at 6% per annum and are payable on demand.

15 Creditors: due after more than one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Amounts due to group undertakings	20,024	28,380	20,024	28,380
Bank and other borrowings (Note 18)	2,036	2,464	-	-
	22,060	30,844	20,024	28,380

On 20 December 2019, Medical Depot Inc (a parent company of Drive Devilbiss Healthcare Limited) forgave the Company £69,438,000 of its intercompany loan. This has been accounted for in the financial statements of the Company as an equity investment. The relief of the loan has been taken directly to reserves and reflected within retained earnings.

Notes to the financial statements (continued)

16 Financial Instruments

The Group and Company have the following financial instruments:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<i>Financial assets measured at amortised cost:</i>				
Trade debtors	9,368	11,515	6,650	7,586
Other debtors	1,411	1,492	1,115	1,492
Amounts due from group undertakings	370	1,077	7,339	7,749
Cash at bank and in hand	6,796	7,121	4,387	5,634
	17,945	21,205	19,491	22,461
<i>Financial assets at fair value through profit or loss:</i>				
Derivative financial instruments	1,210	(272)	892	(272)
<i>Financial liabilities measured at amortised cost</i>				
Bank and other borrowings	3,466	4,404	1,002	1,012
Trade creditors	9,238	6,353	6,226	3,675
Amounts due to group undertakings	20,520	29,490	23,605	15,726
Other creditors and accruals	7,198	9,432	5,371	8,277
Finance leases and hire purchase contracts	-	16	-	16
	40,422	49,695	36,204	28,706

Notes to the financial statements (continued)

17. Provisions for Liabilities

Group	Leasehold Property Restoration costs £'000	Deferred taxation £'000	Total £'000
At 1 January 2020	1,200	3,020	4,220
Increase/(release) during the year	(105)	(555)	(660)
At 31 December 2020	1,095	2,465	3,560

Company	Leasehold Property Restoration costs £'000	Deferred taxation £'000	Total £'000
At 1 January 2020	648	599	1,247
Increase/(release) during the year	(106)	(159)	(265)
At 31 December 2020	542	440	982

The provision for deferred tax consists of the following deferred tax liabilities:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Accelerated capital allowances and other timing differences	(262)	(626)	(236)	(240)
Fair value adjustments	2,728	(2,394)	676	839
Total deferred tax	2,466	3,020	440	599

The Group has a deferred tax asset of £1,637,000 not recognised (2019: £1,474,000) in relation to tax losses and unrelieved tax-interest expenses carried forward. These are available to the Group and a deferred tax asset in respect of these may be recognised in the future if it is more likely than not that the Group will generate sufficient taxable profits.

Notes to the financial statements (continued)

18 Bank and other borrowings

Borrowings are repayable as follows:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank Loans				
Between one and two years	-	429	-	-
Between two and five years	2,036	2,035	-	-
	2,036	2,464	-	-
On demand or within one year	1,430	1,940	1,002	1,012
	3,466	4,404	1,002	1,012
Finance leases				
In one year	-	16	-	16
Between one and two years	-	-	-	-
	-	16	-	16
Total borrowings including finance leases				
Between one and two years	-	429	-	-
Between two and five years	2,036	2,035	-	-
	2,036	2,464	-	-
On demand or within one year	1,430	1,956	1,002	1,028
	3,466	4,420	1,002	1,028

In November 2020 the Company refinanced its existing bank loan from National Westminster Bank plc, a part of the Royal Bank of Scotland Group. The total value of the loan was £1,012,000 and is secured by a fixed charge over the Group and Company's freehold land and buildings. The loan is split into two elements both being denominated in Pounds Sterling with interest charged at 1.9% over Libor. Part of the loan is amortising in 12 equal instalments and the other part is repayable in one instalment in November 2021. At 31 December 2020 the balance outstanding on this loan was £1,002,000

In July 2019, Drive DeVilbiss Sidhil Ltd, a 100% owned subsidiary entered into a £7.0m term loan and revolving credit facility with Lloyds bank Plc. The purpose of the facility was to refinance the existing overdraft facilities and fund the expansion of the companies hire and service business. The agreement lasts for 3 years, with interest charged at Libor + 1.5% for the term loan and Libor + 1.6% for the Revolving credit facility. The facility is secured via a debenture over the assets of the business. The term loan is repayable over 11 equally quarterly payments of £107,000 and a final repayment of £1,823,000.

Notes to the financial statements (continued)

19 Called-up Share Capital

Group and Company

Authorised Number	Class	Nominal Value:	2020 £'000	2019 £'000
617,000	Ordinary	£1	<u>617</u>	<u>617</u>

Allotted, issued and fully paid

Number	Class	Nominal value:	£'000	£'000
616,400	Ordinary	£1	<u>616</u>	<u>616</u>

20 Operating Lease Commitments

The Group and Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Payments due:				
Not later than one year	1,349	1,456	645	714
Later than one year and not later than five years	3,830	3,827	2,223	2,361
Later than five years	2,132	1,191	1,946	714
	<u>7,311</u>	<u>6,474</u>	<u>4,814</u>	<u>3,789</u>

21 Reconciliation of Operating Profit to Operating Cash Flows

	Group 2020 £'000	Group 2019 £'000
Operating loss	(1,597)	(5,805)
Depreciation (Note 9)	2,383	2,772
Amortisation (Note 8)	5,029	6,052
Impairment (Note 8)	-	1,244
Decrease/(increase) in stocks	1,678	8,326
Decrease in debtors	1,908	1,043
(Decrease)/increase in creditors	2,369	(1,782)
(Decrease)/Increase in provisions	(106)	417
Loss on disposal of tangible fixed assets	-	-
Loss/(Gain) on financial derivatives	938	1,146
	<u>12,602</u>	<u>13,413</u>

Notes to the financial statements (continued)

22 Pension Commitments

The Group and Company made contributions to individual money purchase arrangements. The assets of the schemes are held separately from those of the Group and Company in independently administered funds. The pension cost recognised as an expense represents contributions payable by the Group and Company to the funds and amounted to £595,000 (2019 – £475,000).

23 Related Party Disclosures

As at 31 December 2020, the Group and Company owed £20,118,000 (2019 - £28,318,000) to Medical Depot Inc., a parent company. The interest rate payable by the Company on all amounts due is 6 per cent per annum. The interest charge for the year was £1,765,000 (2019 - £4,921,000). As at 31 December 2020 this remaining amount is a long-term liability governed by an a formal legally binding agreement and has a repayment date of 20 December 2024. Based on the executed legal agreements, the Directors have no reason to believe that the capital balance will be required to be repaid prior to 20 December 2024.

As at 31 December 2020, the Group and Company owed £Nil (2019 – £50,000) to Drive Medical GmbH. The interest charge for the year was £nil (2019 – £ nil).

As at 31 December 2020, the Group and Company was owed £Nil (2019 – owed £nil) to Dupont Medical S.A.S, a fellow subsidiary undertaking.

As at 31 December 2020, the Group and Company was owed £692 (2019 – owed £1,000) from Drive Medical Canada Inc., a fellow subsidiary undertaking.

As at 31 December 2020, the Group and Company was owed £Nil (2019 – owed £44,000) from DeVilbiss Healthcare Limited, a fellow subsidiary undertaking.

As at 31 December 2020, the Group and Company was owed £103,000 (2019 – was owed £138,000) from DeVilbiss Healthcare GmbH, a fellow subsidiary undertaking.

As at 31 December 2020, the Group and Company was owed £7,000 (2019 – owed to £99,000) from DeVilbiss Healthcare US Inc., a fellow subsidiary undertaking.

As at 31 December 2020, the Group and Company was owed £11,000 (2019 – owed £189,000) from Inovo Inc., a fellow subsidiary undertaking.

As at 31 December 2020, the Group and Company owed £41,000 (2019 – £19,000) to Drive DeVilbiss Healthcare France. The interest charge for the year was £nil (2019 – £ nil).

As at 31 December 2020, the Group and Company owed £135,000 (2019 – £296,000) to Drive Europe GmbH. The interest charge for the year was £nil (2019 – £ nil).

24. Ultimate Parent Company

The immediate parent undertaking is Drive International LLC. The ultimate parent company at 31 December 2020 was CD&R Reign Topco, Inc., a company registered in the United States.

The registered office of CD & R Reign Topco, Inc is 375 Park Avenue, 18th Floor, New York, NY 10152, United States of America.

Notes to the financial statements (continued)

25. Post balance sheet events

There have been no significant events after the year end.

26. Contingent liability.

Medical Depot Inc (a parent company) negotiated an extension and revision to its own credit facilities in October 2019. The revised Medical Depot credit facilities are with JPMorgan Chase Bank as the administrative agent and collateral agent and the new or extended facilities are with the Delaware Trust Company as the administrative and collateral agent. Both arrangements required the company and its subsidiaries to enter into formal guarantee agreements with the collateral agents. These formal guarantees were registered at Companies House in March 2020. The UK companies have given a formal charge of the assets of the various UK businesses in favor of the collateral agents. These guarantees represent a contingent liability which could crystalize in the event of Medical Depot being in breach of its financial covenants on the facilities extended or revised in October 2019. The UK directors have made enquiries of the Directors of Medical Depot, about its forecasting of the quarterly covenant obligations up to 31 December 2021. The directors of Medical Depot have confirmed that having revisited their forecasts for Covid-19 impacts they believe the covenants will be met at each quarterly measurement date and that there is sufficient headroom within the covenant calculations for downside sensitivities on the forecasts. The company directors have therefore concluded that the chances of this contingent liability crystallising within the foreseeable future are remote.