
SALTS HEALTHCARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



SALTS HEALTHCARE LIMITED

COMPANY INFORMATION

Directors	P E Salt P W D Salt R J Salt I G Taylor
Company secretary	I G Taylor
Registered number	00074096
Registered office	Unit 1, Ringway Business Park Richard Street Aston Birmingham B7 4AA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 20 Colmore Circus The Colmore Building Birmingham West Midlands B4 6AT
Bankers	Lloyds Bank plc 125 Colmore Row Birmingham B3 3AD
Solicitors	Gateley Plc One Eleven Edmund Street Birmingham B3 2HJ

SALTS HEALTHCARE LIMITED

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SALTS HEALTHCARE LIMITED

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The chairman presents his statement for the period.

Results

The Group's turnover was £90.8 million, an increase of 7.2% over 2017.

Previous investment in innovation and product development has led to the launch of new, innovative products and we have once again seen strong, planned sales growth of our own manufactured products in both our UK and Export markets.

EBITDA remains very healthy at 10.8%, and gearing remains low.

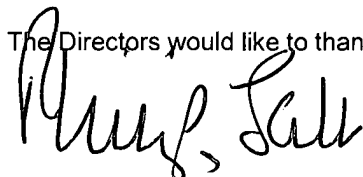
Outlook

The Group continues to invest in innovation, product development and its manufacturing infrastructure, particularly at its new facility in Birmingham, which opened during the year.

The Group continues to look for new, strategic export markets, and expects to continue with its strong performance and growth outside of the UK.

The Group continues to be well supported by its financial backers and professional advisors which enable it to continue with its strong performance, growth and planned investment strategy.

The Directors would like to thank all our employees for their continued support.



Philip E St. J Salt
Chairman

Date: 24 September 2019

SALTS HEALTHCARE LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present the strategic report and the financial statements for the year ended 31 December 2018.

Business review

An overview of the Group's business performance and future developments is given in the Chairman's Review on page 1.

The Directors review business performance on a regular basis against annual budget and our long term strategic plan. This includes preparing and monitoring monthly and annual sales and expenditure, and monitoring, amongst others, the following key performance indicators:

	2018	2017	2016
	%	%	%
Turnover growth	7.2	4.3	5.2
Gross profit margin	30.3	31.8	32.3
Net profit before taxation	7.1	9.6	9.9
EBITDA	10.8	13.6	14.1

We have seen upward pressure on labour and raw material costs during the year which have both had an effect on our profitability, however, continued and significant investment in our manufacturing facilities has begun to improve efficiencies and this will continue moving forward.

SALTS HEALTHCARE LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Clinical risk

In any business developing and manufacturing medical products, there is a risk to the health and wellbeing of each patient.

The group aims to manufacture and distribute products of the highest quality. The group is regulated by the Medical Devices Authority. Clinical audits are carried out regularly to encourage continuous quality improvement and to ensure that clinical service is of the highest standard.

Economic risk

The economic risk includes the risk of increased interest rates and/or inflation having an adverse impact on served markets and the risk of increases in wages or overheads impacting adversely on competitiveness of the group and its principal customers. These risks are managed by innovative service solutions and strict control of costs.

Regulatory changes affecting the business

The industry in which the group operates is subject to regulation. Future changes in such regulation may impact the group's ability to generate income, either through decreased revenues, increased expenditure or a combination of both.

Management aim to mitigate such risks by regularly reviewing the impact of the new legislation and changing the group strategy when necessary. As a result we believe that the transition to the new legislation will have minimal impact on our revenues.

Competition

The market in which the group operates is highly competitive. As a result there is constant downwards pressure on margins and the additional risk of being unable to meet customer's expectations. The directors manage competition risk through close attention to customer service levels and product innovation.

People

The success of the group is largely dependent upon the recruitment and retention of our employees. There are training programmes and remuneration schemes in place to mitigate the risk of the absence of suitable staff resources.

Brexit

Through our trade association, the British Healthcare Trades Association (BHTA), we are working with the UK Government and others on plans to ensure that the supply of medical devices is maintained after the UK exits the European Union (EU), including in a no deal scenario.

We, at Salts Healthcare, are a UK based company who manufacture our range of stoma products here in the UK. As a responsible business, we have taken all necessary steps, in-line with guidance issued by the Department for Exiting the EU, to ensure the continuity of supply of our products in the event of a no-deal Brexit.

SALTS HEALTHCARE LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Financial risk management objectives and policies

The group's principal financial instruments comprise bank borrowings, finance lease and hire purchase arrangements. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors which arise directly from its operations. The group does not enter into derivative transactions.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are liquidity risk, interest rate risk, credit risk and currency risk.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank and asset based lending.

Interest rate risk

The group finances its operations through a mixture of retained profits and borrowings. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Credit risk

The group trades with only recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

Currency risk

As a result of increased sales to customers outside the United Kingdom, the group's profits can be affected significantly by movements in euro exchange rates. In addition, the group has an overseas subsidiary operating in Ireland whose revenues and expenses are denominated in euros.

In order to protect the group's sterling balance sheet and profit and loss account from movements in the euro/sterling exchange rate, the group operates foreign currency bank accounts and loans.

Employee involvement

The group recognises the importance of good communication and ensures that employees are informed of matters affecting them as appropriate.

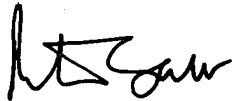
Disabled persons

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

SALTS HEALTHCARE LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

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



P W D Salt
Director

Date: 24 September 2019

SALTS HEALTHCARE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Results and dividends

The profit for the year, after taxation, amounted to £5,146,209 (2017 - £6,416,058).

The directors have paid a dividend of £1,950,000 during the year (2017: £1,950,000).

Directors

The directors who served during the year were:

P E Salt
P W D Salt
R J Salt
I G Taylor

Charitable donations

Donations to charitable organisations amounted to £32,145 (2017: £18,799).

Matters covered in the strategic report

A review of the business, key performance indicators and a discussion of principal risks and uncertainties, financial risk management and employee matters have been included within the Strategic report.

SALTS HEALTHCARE LIMITED

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

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

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

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



P W D Salt
Director

Date: 24 September 2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALTS HEALTHCARE LIMITED

Opinion

We have audited the financial statements of Salts Healthcare Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALTS HEALTHCARE LIMITED
(CONTINUED)**

Other Information

The directors are responsible for the other information. The other information comprises the information included in the strategic and directors' report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
 - the parent company financial statements are not in agreement with the accounting records and returns; or
 - certain disclosures of directors' remuneration specified by law are not made; or
 - we have not received all the information and explanations we require for our audit.
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALTS HEALTHCARE LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.



David P White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

24 September 2019

SALTS HEALTHCARE LIMITED

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	90,782,876	84,663,467
Cost of sales		(63,296,224)	(57,737,280)
Gross profit		27,486,652	26,926,187
Distribution costs		(4,812,879)	(4,294,621)
Administrative expenses		(16,163,606)	(14,402,979)
Operating profit	5	6,510,167	8,228,587
Interest receivable and similar income	9	24,690	17,607
Interest payable and similar expenses	10	(119,072)	(113,239)
Other finance costs	31	(8,000)	(26,000)
Profit before tax		6,407,785	8,106,955
Tax on profit	12	(1,261,576)	(1,690,897)
Profit for the financial year		5,146,209	6,416,058

All of the Group's activities are classified as continuing.

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Profit for the financial year		5,146,209	6,416,058
Other comprehensive income			
Actuarial gain on defined benefit schemes	31	5,000	437,000
Movement on deferred tax relating to pension schemes		(45,000)	(135,000)
Other comprehensive (loss)/income for the year		(40,000)	302,000
Total comprehensive income for the year		5,106,209	6,718,058
Profit for the year attributable to:			
Owners of the parent company		5,146,209	6,416,058
		5,146,209	6,416,058
Total comprehensive income attributable to:			
Owners of the parent company		5,106,209	6,718,058
		5,106,209	6,718,058

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED
REGISTERED NUMBER:00074096

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

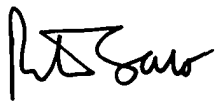
	Note	2018 £	2017 £
Fixed assets			
Intangible assets	14	157,227	1,656,299
Tangible assets	15	23,851,426	16,371,936
Investment property	17	1,100,000	1,050,000
		<u>25,108,653</u>	<u>19,078,235</u>
Current assets			
Stocks	18	9,099,865	8,028,263
Debtors: amounts falling due within one year	19	15,879,101	15,691,241
Cash at bank and in hand	20	7,885,474	9,596,973
		<u>32,864,440</u>	<u>33,316,477</u>
Creditors: amounts falling due within one year	21	(16,945,825)	(17,047,593)
Net current assets		<u>15,918,615</u>	<u>16,268,884</u>
Total assets less current liabilities		<u>41,027,268</u>	<u>35,347,119</u>
Creditors: amounts falling due after more than one year	22	(3,030,586)	(405,785)
Provisions for liabilities			
Deferred taxation	26	(718,462)	(627,323)
Pension liability	31	(237,000)	(429,000)
Net assets		<u><u>37,041,220</u></u>	<u><u>33,885,011</u></u>

SALTS HEALTHCARE LIMITED
REGISTERED NUMBER:00074096

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Capital and reserves			
Called up share capital	27	49,975	49,975
Revaluation reserve	28	953,500	903,500
Capital redemption reserve	28	19,191	19,191
Profit and loss account	28	36,018,554	32,912,345
		<u>37,041,220</u>	<u>33,885,011</u>

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



P W D Salt
Director

Date: 24 September 2019



R J Salt
Director

Date: 24 September 2019

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED
REGISTERED NUMBER:00074096

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	14	157,227	787,706
Tangible assets	15	23,341,302	15,828,419
Investments	16	5,807,570	5,807,570
Investment property	17	1,100,000	1,050,000
		<u>30,406,099</u>	<u>23,473,695</u>
Current assets			
Stocks	18	8,546,886	7,486,365
Debtors: amounts falling due within one year	19	14,978,994	13,906,295
Cash at bank and in hand	20	6,355,083	8,511,674
		<u>29,880,963</u>	<u>29,904,334</u>
Creditors: amounts falling due within one year	21	(16,257,292)	(16,075,221)
Net current assets		<u>13,623,671</u>	<u>13,829,113</u>
Total assets less current liabilities		<u>44,029,770</u>	<u>37,302,808</u>
Creditors: amounts falling due after more than one year	22	(3,028,222)	(394,914)
Provisions for liabilities			
Deferred taxation	26	(730,246)	(639,664)
Pension liability	31	(237,000)	(429,000)
Net assets		<u><u>40,034,302</u></u>	<u><u>35,839,230</u></u>

SALTS HEALTHCARE LIMITED
REGISTERED NUMBER:00074096

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	31 December 2018 £	31 December 2017 £
Capital and reserves			
Called up share capital	27	49,975	49,975
Revaluation reserve	28	953,500	903,500
Capital redemption reserve	28	19,191	19,191
Profit and loss account	28	39,011,636	34,866,564
		<u>40,034,302</u>	<u>35,839,230</u>

The company has taken advantage of the exception allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the year was £6,185,072 (2017: £7,258,418)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 September 2019.


P W D Salt
Director


R J Salt
Director

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED

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

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	49,975	19,191	903,500	32,912,345	33,885,011
Comprehensive income for the year					
Profit for the year	-	-	-	5,146,209	5,146,209
Actuarial losses on pension scheme	-	-	-	(40,000)	(40,000)
Transfer between reserves	-	-	50,000	(50,000)	-
Total comprehensive income for the year	-	-	50,000	5,056,209	5,106,209
Dividends (see note 13)	-	-	-	(1,950,000)	(1,950,000)
Total transactions with owners	-	-	-	(1,950,000)	(1,950,000)
At 31 December 2018	49,975	19,191	953,500	36,018,554	37,041,220

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	49,975	19,191	903,500	28,144,287	29,116,953
Comprehensive income for the year					
Profit for the year	-	-	-	6,416,058	6,416,058
Actuarial gains on pension scheme	-	-	-	302,000	302,000
Total comprehensive income for the year	-	-	-	6,718,058	6,718,058
Dividends (see note 13)	-	-	-	(1,950,000)	(1,950,000)
Total transactions with owners	-	-	-	(1,950,000)	(1,950,000)
At 31 December 2017	49,975	19,191	903,500	32,912,345	33,885,011

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED

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

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	49,975	19,191	903,500	34,866,564	35,839,230
Comprehensive income for the year					
Profit for the year	-	-	-	6,185,072	6,185,072
Actuarial losses on pension scheme	-	-	-	(40,000)	(40,000)
Transfer between reserves	-	-	50,000	(50,000)	-
Total comprehensive income for the year	-	-	50,000	6,095,072	6,145,072
Distributions to owners					
Dividends	-	-	-	(1,950,000)	(1,950,000)
Total transactions with owners	-	-	-	(1,950,000)	(1,950,000)
At 31 December 2018	49,975	19,191	953,500	39,011,636	40,034,302

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	49,975	19,191	903,500	29,256,146	30,228,812
Comprehensive income for the year					
Profit for the year	-	-	-	7,258,418	7,258,418
Actuarial gains on pension scheme	-	-	-	302,000	302,000
Total comprehensive income for the year	-	-	-	7,560,418	7,560,418
Distributions to owners					
Dividends	-	-	-	(1,950,000)	(1,950,000)
Total transactions with owners	-	-	-	(1,950,000)	(1,950,000)
At 31 December 2017	49,975	19,191	903,500	34,866,564	35,839,230

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	5,146,209	6,416,058
Adjustments for:		
Amortisation of intangible assets (see note 14)	1,538,600	1,544,195
Depreciation of tangible assets (see note 15)	1,753,758	1,903,586
Loss on disposal of tangible assets	38,456	39,295
Interest paid	119,072	113,239
Interest received	(24,690)	(17,607)
Taxation charge (see note 12)	1,261,576	1,690,897
(Increase) in stocks	(1,071,602)	(481,259)
(Increase) in debtors	(187,860)	(1,576,824)
Increase in creditors	1,135,744	1,575,633
(Decrease) in net pension liabilities	(240,000)	(240,000)
Net fair value (gains) on investment properties recognised in profit and loss	(50,000)	-
Corporation tax (paid)	(1,528,661)	(1,841,287)
Other finance costs	8,000	26,000
Net cash generated from operating activities	7,898,602	9,151,926
Cash flows from investing activities		
Purchase of intangible fixed assets (see note 14)	(39,528)	(64,861)
Purchase of tangible fixed assets (see note 15)	(9,255,234)	(2,552,051)
Sale of tangible fixed assets	36,050	18,727
Interest received	24,690	17,607
Hire purchase interest paid	(37,608)	(54,450)
Net cash used in investing activities	(9,271,630)	(2,635,028)

SALTS HEALTHCARE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows used in financing activities		
Advancement of loans	4,000,000	-
Repayment of loans	(1,250,000)	(1,011,500)
Repayment of/new finance leases	(1,057,007)	(1,348,427)
Dividends paid (see note 13)	(1,950,000)	(1,950,000)
Interest paid	(81,464)	(58,789)
Net cash used in financing activities	<u>(338,471)</u>	<u>(4,368,716)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,711,499)</u>	<u>2,148,182</u>
Cash and cash equivalents at beginning of year	9,596,973	7,448,791
Cash and cash equivalents at the end of year	<u><u>7,885,474</u></u>	<u><u>9,596,973</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,885,474	9,596,973
	<u><u>7,885,474</u></u>	<u><u>9,596,973</u></u>

The notes on pages 23 to 54 form part of these financial statements.

SALTS HEALTHCARE LIMITED

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

1. General information

Salts Healthcare Limited is a limited liability company incorporated in England and Wales. The registered office address is Unit 1, Ringway Business Park, Richard Street, Aston, Birmingham, B7 4AA.

The principal activity of the Group is the provision of healthcare services and the sale of ostomy products manufactured by its parent company.

The financial statements are presented in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Parent company disclosure exemptions

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

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliation of the group and the parent company would be identical;
- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of group as a whole;
- The requirement to present related party disclosures between parent company and fellow subsidiaries where ownership is all 100%; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Group financial statements consolidate the financial statements of Salts Healthcare Limited and all its subsidiary undertakings drawn up to 31 December each year.

The following principal accounting policies have been applied:

SALTS HEALTHCARE LIMITED

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

2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of group and its own subsidiaries ("the group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Revenue

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

Sale of goods

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

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

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Income Statement over its useful economic life.

Other intangible assets

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

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

SALTS HEALTHCARE LIMITED

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

2. Accounting policies (continued)

2.5 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis

Depreciation is provided on the following basis:

Freehold property	- 2% per annum
Freehold improvements	- 2% per annum
Leasehold improvements	- 10% - 50% per annum
Plant & machinery	- 10% - 25% per annum
Motor vehicles	- 25% per annum

2.6 Operating leases: the Group as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 1 January 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 Research and development

Research and development expenditure is charged to profit or loss in the period in which it is incurred.

2.8 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Income Statement.

SALTS HEALTHCARE LIMITED

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

2. Accounting policies (continued)

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Income Statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.10 Stocks

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

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

2.11 Debtors

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

2.12 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

SALTS HEALTHCARE LIMITED

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

2. Accounting policies (continued)

2.13 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors, trade and other creditors, amounts due to and from group undertakings, bank loans, obligations under finance lease and hire purchase contracts and other creditors.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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

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

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

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

2.14 Creditors

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

SALTS HEALTHCARE LIMITED

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

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Income Statement within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.16 Finance costs

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

2.17 Dividends

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

SALTS HEALTHCARE LIMITED

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

2. Accounting policies (continued)

2.18 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.19 Interest income

Interest income is recognised in the Consolidated Income Statement using the effective interest method.

SALTS HEALTHCARE LIMITED

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

2. Accounting policies (continued)

2.20 Borrowing costs

All borrowing costs are recognised in the Consolidated Income Statement in the year in which they are incurred.

2.21 Provisions for liabilities

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

Provisions are charged as an expense to the Consolidated Income Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

SALTS HEALTHCARE LIMITED

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

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

Pension scheme

The liabilities in respect of the defined benefit pension scheme are calculated by qualified actuaries and received by the Group. The principal uncertainty relates to the estimation of the discount rate, life expectations of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 31.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the financial year.

4. Turnover

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	72,490,563	68,949,275
Rest of the world	18,292,313	15,714,192
	<u>90,782,876</u>	<u>84,663,467</u>

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets (see note 15)	1,753,758	1,903,586
Amortisation of intangible assets, including goodwill (see note 14)	1,538,600	1,544,195
Other operating lease rentals	<u>1,210,467</u>	<u>1,017,283</u>

SALTS HEALTHCARE LIMITED

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

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>49,450</u>	<u>48,000</u>
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	<u>26,750</u>	<u>25,100</u>
	<u>26,750</u>	<u>25,100</u>

7. Employees and directors

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

	Group 2018 £	Group 2017 £
Wages and salaries	19,745,616	18,046,798
Social security costs	2,125,412	1,901,375
Cost of defined contribution scheme	751,929	604,404
	<u>22,622,957</u>	<u>20,552,577</u>

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

	2018 No.	2017 No.
Production and distribution	355	343
Management and administration	268	263
	<u>623</u>	<u>606</u>

SALTS HEALTHCARE LIMITED

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

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	2,267,015	1,837,867
Company contributions to defined contribution pension schemes	60,000	7,500
	<u>2,327,015</u>	<u>1,845,367</u>

During the year retirement benefits were accruing to 4 directors (2017 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £643,705 (2017 - £576,954).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2017 - £7,500).

9. Interest receivable

	2018 £	2017 £
Other interest receivable	<u>24,690</u>	<u>17,607</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	77,419	55,682
Finance leases and hire purchase contracts	37,608	54,450
Other interest payable	4,045	3,107
	<u>119,072</u>	<u>113,239</u>

11. Other finance costs

	2018 £	2017 £
Net interest on net pension liability	<u>8,000</u>	<u>26,000</u>

SALTS HEALTHCARE LIMITED

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

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	1,259,857	1,598,303
Adjustments in respect of previous periods	(174,898)	(114,070)
	<u>1,084,959</u>	<u>1,484,233</u>
Foreign tax		
Foreign tax on income for the year	85,478	101,606
	<u>85,478</u>	<u>101,606</u>
Total current tax	<u>1,170,437</u>	<u>1,585,839</u>
Deferred tax		
Origination and reversal of timing differences	126,054	103,522
Adjustments in respect of prior periods	(34,915)	1,536
Total deferred tax	<u>91,139</u>	<u>105,058</u>
Taxation on profit on ordinary activities	<u>1,261,576</u>	<u>1,690,897</u>

SALTS HEALTHCARE LIMITED

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

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>6,407,785</u>	<u>8,106,955</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	1,217,479	1,560,589
Effects of:		
Expenses not deductible for tax purposes	200,969	212,883
Adjustments to tax charge in respect of prior periods	(174,898)	(111,869)
Foreign tax - other	(43,216)	(53,397)
Fixed asset differences	123,958	9,932
Other permanent differences	-	25,983
Income not taxable for tax purposes	(33,438)	43
Adjustment to tax charge in respect of prior periods - deferred tax	(34,915)	1,536
Other differences leading to an increase (decrease) in the tax charge	(19,443)	41,795
Research and development expenditure credits	25,080	3,402
Total tax charge for the year	<u><u>1,261,576</u></u>	<u><u>1,690,897</u></u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted in September 2016.

SALTS HEALTHCARE LIMITED

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

13. Dividends

	2018 £	2017 £
Dividends paid - equity capital	<u>1,950,000</u>	<u>1,950,000</u>

14. Intangible assets

Group

	Patents £	Goodwill £	Total £
Cost			
At 1 January 2018	501,456	8,653,621	9,155,077
Additions	39,528	-	39,528
At 31 December 2018	<u>540,984</u>	<u>8,653,621</u>	<u>9,194,605</u>
Amortisation			
At 1 January 2018	337,478	7,161,300	7,498,778
Charge for the year	46,279	1,492,321	1,538,600
At 31 December 2018	<u>383,757</u>	<u>8,653,621</u>	<u>9,037,378</u>
Net book value			
At 31 December 2018	<u>157,227</u>	<u>-</u>	<u>157,227</u>
At 31 December 2017	<u>163,978</u>	<u>1,492,321</u>	<u>1,656,299</u>

SALTS HEALTHCARE LIMITED

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

14. Intangible assets (continued)

Company

	Patents £	Goodwill £	Total £
Cost			
At 1 January 2018	501,456	4,369,174	4,870,630
Additions	39,528	-	39,528
At 31 December 2018	<u>540,984</u>	<u>4,369,174</u>	<u>4,910,158</u>
Amortisation			
At 1 January 2018	337,478	3,745,446	4,082,924
Charge for the year	46,279	623,728	670,007
At 31 December 2018	<u>383,757</u>	<u>4,369,174</u>	<u>4,752,931</u>
Net book value			
At 31 December 2018	<u>157,227</u>	<u>-</u>	<u>157,227</u>
At 31 December 2017	<u>163,978</u>	<u>623,728</u>	<u>787,706</u>

SALTS HEALTHCARE LIMITED

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

15. Tangible fixed assets

Group

	Freehold land & buildings £	Freehold property improvements £	Leasehold property improvements £	Plant & machinery £	Motor vehicles £	Plant under construction £	Total £
Cost							
At 1 January 2018	3,440,638	3,432,578	1,147,412	22,572,779	350,540	-	30,943,947
Additions	-	30,662	4,917,076	703,411	70,345	3,586,260	9,307,754
Disposals	-	-	-	(753,790)	(103,216)	-	(857,006)
At 31 December 2018	3,440,638	3,463,240	6,064,488	22,522,400	317,669	3,586,260	39,394,695
Depreciation							
At 1 January 2018	720,187	607,325	864,636	12,131,098	248,765	-	14,572,011
Charge for the year	68,813	72,818	57,040	1,501,653	53,434	-	1,753,758
Disposals	-	-	-	(690,970)	(91,530)	-	(782,500)
At 31 December 2018	789,000	680,143	921,676	12,941,781	210,669	-	15,543,269
Net book value							
At 31 December 2018	2,651,638	2,783,097	5,142,812	9,580,619	107,000	3,586,260	23,851,426
At 31 December 2017	2,720,451	2,825,253	282,776	10,441,681	101,775	-	16,371,936

SALTS HEALTHCARE LIMITED

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

15. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Plant and machinery	851,381	2,947,519
Motor vehicles	73,570	58,574
	<u>924,951</u>	<u>3,006,093</u>

SALTS HEALTHCARE LIMITED

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

15. Tangible fixed assets (continued)

Company

	Freehold land & buildings £	Freehold property improvements £	Leasehold property improvements £	Plant & machinery £	Motor vehicles £	Plant under construction £	Total £
Cost							
At 1 January 2018	2,964,708	3,309,854	1,147,412	22,407,684	282,702	-	30,112,360
Additions	-	28,262	4,917,076	699,685	70,345	3,586,260	9,301,628
Disposals	-	-	-	(753,790)	(64,367)	-	(818,157)
At 31 December 2018	2,964,708	3,338,116	6,064,488	22,353,579	288,680	3,586,260	38,595,831
Depreciation							
At 1 January 2018	643,318	582,513	864,636	11,981,353	212,121	-	14,283,941
Charge for the year	59,294	66,563	57,040	1,493,400	46,186	-	1,722,483
Disposals	-	-	-	(690,970)	(60,925)	-	(751,895)
At 31 December 2018	702,612	649,076	921,676	12,783,783	197,382	-	15,254,529
Net book value							
At 31 December 2018	2,262,096	2,689,040	5,142,812	9,569,796	91,298	3,586,260	23,341,302
At 31 December 2017	2,321,390	2,727,341	282,776	10,426,331	70,581	-	15,828,419

SALTS HEALTHCARE LIMITED

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

15. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018	2017
	£	£
Plant and machinery	851,381	2,947,519
Motor vehicles	57,868	58,574
	<u>909,249</u>	<u>3,006,093</u>

SALTS HEALTHCARE LIMITED

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

16. Fixed asset investments

Company

**Investments
in
subsidiary
companies
£**

Cost

At 1 January 2018 and 31 December 2018

5,807,570

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Salts Healthcare (Ireland) Limited	Ireland	Sale of surgical appliances	Ordinary	100%
Moorland Surgical Supplies Limited	United Kingdom	Sale of surgical appliances and provision of healthcare services	Ordinary	100%
Lifedelta Limited	United Kingdom	Dormant	Ordinary	100%
U.C.I. Healthcare Limited	United Kingdom	Dormant	Ordinary	100%
Midlands Orthopaedic Supplies Limited	United Kingdom	Dormant	Ordinary	100%
Salt & Son (Scotland) Limited	United Kingdom	Dormant	Ordinary	100%
Saltostomy Limited	United Kingdom	Dormant	Ordinary	100%
Salt & Son Limited	United Kingdom	Dormant	Ordinary	100%
Rcare (Midlands) Limited	United Kingdom	Dormant	Ordinary	100%
West Country Medical Limited	United Kingdom	Dormant	Ordinary	100%

SALTS HEALTHCARE LIMITED

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

17. Investment property

Group and Company

	Freehold investment property £
Valuation	
At 1 January 2018	1,050,000
Change in fair value during the year	50,000
At 31 December 2018	1,100,000

The 2018 valuation was made by BNP Paribas Real Estate, external valuer, based on the online valuation and sale prices of similar properties in the same area as well as current market conditions.

18. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Raw materials and consumables	2,136,964	1,892,484	2,136,964	1,892,484
Work in progress	518,882	466,872	518,882	466,872
Finished goods and goods for resale	6,444,019	5,668,907	5,891,040	5,127,009
	<u>9,099,865</u>	<u>8,028,263</u>	<u>8,546,886</u>	<u>7,486,365</u>

Stocks recognised in cost of sales during the financial year as an expense was £49,748,942 (2017: £43,244,449).

A stock provision of £75,158 (2017: reversal of stock provision of £6,300) was recognised in cost of sales against stock during the year.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

SALTS HEALTHCARE LIMITED

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

19. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	14,843,326	14,609,474	13,803,204	13,030,017
Amounts owed by group undertakings	-	-	208,038	14,236
Other debtors	214,007	324,083	165,545	134,496
Prepayments and accrued income	821,768	757,684	802,207	727,546
	<u>15,879,101</u>	<u>15,691,241</u>	<u>14,978,994</u>	<u>13,906,295</u>

The amounts owed by group undertakings are unsecured, interest free and have no fixed repayment terms.

Provision for bad debts of £Nil (2017: £Nil) was recognised against trade debtors.

20. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	7,885,474	9,596,973	6,355,083	8,511,674

21. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans (see note 23)	838,500	960,000	838,500	960,000
Trade creditors	9,364,934	8,302,709	8,436,141	7,221,459
Amounts owed to group undertakings	-	-	345,978	269,318
Corporation tax	482,814	841,037	445,983	766,557
Other taxation and social security	1,421,356	1,505,872	1,394,226	1,477,542
Obligations under finance lease and hire purchase contracts (see note 24)	292,618	1,050,406	283,921	1,041,709
Other creditors	2,906,965	3,239,345	2,905,971	3,238,217
Accruals and deferred income	1,638,638	1,148,224	1,606,572	1,100,419
	<u>16,945,825</u>	<u>17,047,593</u>	<u>16,257,292</u>	<u>16,075,221</u>

SALTS HEALTHCARE LIMITED

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

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

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Bank loans (see note 23)	3,000,000	128,500	3,000,000	128,500
Net obligations under finance leases and hire purchase contracts (see note 24)	30,586	277,285	28,222	266,414
	<u>3,030,586</u>	<u>405,785</u>	<u>3,028,222</u>	<u>394,914</u>

Finance lease obligations are secured against the assets to which they relate.

23. Loans

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Amounts falling due within one year				
Bank loans	838,500	960,000	838,500	960,000
Amounts falling due 1-2 years				
Bank loans	800,000	128,500	800,000	128,500
Amounts falling due 2-5 years				
Bank loans	2,200,000	-	2,200,000	-
	<u>3,838,500</u>	<u>1,088,500</u>	<u>3,838,500</u>	<u>1,088,500</u>

The bank loans are secured by a fixed and floating charge over the company's properties, stock and book and other debts, and a floating charge on the company and all its assets.

The bank loans attract an interest of 2.25% in addition to LIBOR and regulatory cost rate.

SALTS HEALTHCARE LIMITED

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

24. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Within one year	292,618	1,050,406	283,921	1,041,709
Between 1-5 years	30,586	275,111	28,222	266,414
Over 5 years	-	2,174	-	-
	<u>323,204</u>	<u>1,327,691</u>	<u>312,143</u>	<u>1,308,123</u>

25. Financial instruments

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Financial assets				
Cash at bank and in hand	7,885,474	9,596,973	6,355,083	8,511,674
Financial assets that are debt instruments measured at amortised cost	15,057,333	14,933,557	14,176,787	13,178,749
	<u>22,942,807</u>	<u>24,530,530</u>	<u>20,531,870</u>	<u>21,690,423</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(18,072,243)	(15,106,469)	(17,445,305)	(14,226,036)

Cash and cash equivalents comprise cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, amounts owed to group undertakings, net obligations under finance lease and hire purchase contracts, other creditors and accruals.

SALTS HEALTHCARE LIMITED

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

26. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	(627,323)	(522,265)
Charged to profit and loss	(91,139)	(105,058)
At end of year	<u>(718,462)</u>	<u>(627,323)</u>

Company

	2018 £	2017 £
At beginning of year	(639,664)	(529,254)
Credited to profit or loss	(90,582)	(110,410)
At end of year	<u>(730,246)</u>	<u>(639,664)</u>

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Accelerated capital allowances	(725,765)	(582,404)	(737,549)	(594,745)
Tax losses carried forward	-	96,824	-	96,824
Other timing differences	7,303	(141,743)	7,303	(141,743)
	<u>(718,462)</u>	<u>(627,323)</u>	<u>(730,246)</u>	<u>(639,664)</u>

SALTS HEALTHCARE LIMITED

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

27. Share capital

	2018 £	2017 £
80,834 (2017 - 80,834) ordinary shares of £1.00 each	80,834	80,834
19,166 (2017 - 19,166) 4.2% preference shares of £1.00 each	19,166	19,166
	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
49,975 (2017 - 49,975) ordinary shares of £1.00 each	<u>49,975</u>	<u>49,975</u>

28. Reserves

Revaluation reserve

The revaluation reserve contains all current and prior period valuation movements on fixed assets.

Capital redemption reserve

The capital redemption reserve contains share capital redeemed using retained earnings.

Profit & loss account

The profit and loss account contains all current and prior period retained earnings.

29. Contingent liabilities

There were no contingent liabilities at 31 December 2018 or 31 December 2017.

30. Capital commitments

At 31 December 2018 the Group and company had capital commitments as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Contracted for but not provided in these financial statements	<u>1,643,216</u>	<u>969,844</u>	<u>1,643,216</u>	<u>969,844</u>

SALTS HEALTHCARE LIMITED

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

31. Pension commitments

Defined contribution scheme

The company operates a defined contribution scheme for the benefit of certain directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

Defined benefit scheme

The company operates a defined benefit pension scheme in the UK, the Salt & Son Limited (1982) Pension Scheme, for the benefit of certain employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The most recent valuation prior to the year end was 1 January 2018. The actuarial value of the assets at 1 January 2018 was £4,660,000 against a liability of £4,759,000. Accordingly, the full actuarial valuation as at 1 January 2018 shows a deficit of £99,000. The valuation of the scheme has been updated to 1 January 2018 by a qualified independent actuary. The company and group have agreed to increase contributions to eliminate this liability.

Pension costs are assessed in accordance with the advice of a professionally qualified actuary using the projected unit method.

The Group operates a Defined Benefit Pension Scheme.

	2018 £	2017 £
Reconciliation of present value of plan liabilities		
At the beginning of the year	5,163,000	5,339,000
Interest cost	132,000	143,000
Actuarial (gains)	(92,000)	(32,000)
Benefits paid	(161,000)	(101,000)
Change in accounting basis	(271,000)	(186,000)
At the end of the year	4,771,000	5,163,000

SALTS HEALTHCARE LIMITED

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

31. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2018 £	2017 £
At the beginning of the year	4,633,000	4,158,000
Interest income	124,000	117,000
Contributions	240,000	240,000
Benefits paid	(161,000)	(101,000)
Actual return on plan assets less interest income	(328,000)	291,000
Change in accounting basis	(30,000)	(72,000)
At the end of the year	4,478,000	4,633,000

Composition of plan assets:

	2018 £	2017 £
UK equities	1,734,000	1,528,000
Overseas equities	541,000	620,000
Property	91,000	93,000
Corporate bonds	793,000	607,000
Cash	131,000	695,000
Insured pensioner policies	920,000	1,005,000
Private equity	52,000	85,000
Gilts	216,000	-

Total plan assets	4,478,000	4,633,000
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	2018 £	2017 £
Fair value of plan assets	4,478,000	4,633,000
Present value of plan liabilities	(4,771,000)	(5,163,000)
Deferred tax on pension liability	56,000	101,000
Net pension scheme liability	(237,000)	(429,000)

SALTS HEALTHCARE LIMITED

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

31. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2018 £	2017 £
Interest on obligation	(8,000)	(26,000)
Total	(8,000)	(26,000)

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income was £40,000 (2017: actuarial gains of £302,000).

The Group expects to contribute £240,000 to its Defined Benefit Pension Scheme in 2019.

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	2.90%	2.60
Future pension increases	2.25%	2.25
Inflation assumption	3.25%	3.25
Rate of increase in pensions in payment for:		
- Pre 6 April 1997 Service, where applicable	3.00%	3.00
- Service from 6 April 1997 to 31 March 2003	3.40%	3.40
- Service from 1 April 2003 to 5 April 2005	3.25%	3.25
- Post 5 April 2005 service	2.50%	2.50

SALTS HEALTHCARE LIMITED

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

31. Pension commitments (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2018 £	2017 £	2016 £	2015 £	2014 £
Defined benefit obligation	(4,771,000)	(5,163,000)	(5,339,000)	(4,143,000)	(4,429,000)
Scheme assets	4,478,000	4,633,000	4,158,000	3,623,000	3,345,000
Surplus	(293,000)	(530,000)	(1,181,000)	(520,000)	(1,084,000)
Experience adjustments on scheme liabilities	92,000	32,000	(243,000)	28,000	(27,000)
Experience adjustments on scheme assets	(328,000)	291,000	183,000	471,000	89,000
	(236,000)	323,000	(60,000)	499,000	62,000

SALTS HEALTHCARE LIMITED

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

32. Commitments under operating leases

At 31 December 2018 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Land and buildings				
Not later than 1 year	1,094,329	1,075,314	1,086,329	1,063,314
Later than 1 year and not later than 5 years	3,355,972	3,137,575	3,355,972	3,137,575
Later than 5 years	2,527,429	3,063,529	2,527,429	3,063,529
	<u>6,977,730</u>	<u>7,276,418</u>	<u>6,969,730</u>	<u>7,264,418</u>

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Others				
Not later than 1 year	100,705	85,625	59,826	45,944
Later than 1 year and not later than 5 years	50,032	39,196	23,229	39,196
Later than 5 years	2,990	-	2,100	-
	<u>153,727</u>	<u>124,821</u>	<u>85,155</u>	<u>85,140</u>

33. Related party transactions

The company has taken advantage of the exemption in FRS 102 from disclosing transactions with members of the group.

The group and company pay rentals in respect of properties owned by the company's self administered pension scheme of which certain of the company's directors are trustees and beneficiaries. The value of the rentals in the year was £55,000 (2017: £55,000) for the group and company. At the year end the balance owing to the pension scheme was £Nil (2017: £Nil).

R J Salt, a director of the company was owed by the group and the company £618,637 (2017: £1,061,239).

P E Salt, a director of the company, was owed by the group and the company £952,175 (2017: £1,138,704).

P W Salt, a director of the company, was owed by the group and the company £1,164,944 (2017: £899,521).

I G Taylor, a director of the company, was owed by the group and the company £23,142 (2017: £14,872).

Key management personnel consist of the directors, the remuneration of which is disclosed in note 8.

SALTS HEALTHCARE LIMITED

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

34. Controlling party

Messrs P E Salt, P W D Salt and R J Salt control the company by virtue of their combined holding in the share capital of the company.