DEVICOR MEDICAL UK LIMITED

Report and Financial Statements

31 December 2013

Directors
T Daulton
J O Salkin
D Nuti

Secretary
Jordan Company Secretaries Limited
21st Thomas Street
Bristol
United Kingdom BS1 6JS

Auditors
Ernst & Young LLP
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Manchester M2 3EY

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20-22 Bedford Row
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Strategic Report

The directors present their strategic report and the financial statements for the year ended 31 December 2013.

Principal activity and review of the business

The principal activity of the company is that of medical device sales. For the year ended 31 December 2013 pre-tax loss amounted to €547,277 (2012 – loss of €508,026) on a turnover of €12,812,631 (2012 – €12,613,702). Profit before interest, tax, depreciation, amortisation and foreign exchange loss was €1,057,787 (2012 –€156,193). The directors of the company are satisfied with the performance of the company for the year ended 31 December 2013 and with its balance sheet position as at year-end.

Future developments

Devicor restructured its European distribution at the end of the year 2013. The European warehousing business has been transferred to Devicor Medical Europe GmbH, Hamburg. As a consequence the company will focus on the sale of medical devices in the UK. In this context the goodwill of the company has been impaired in the amount of €858,000 and stocks have been transferred to the parent company.

General business review – statement of income

The continuing turnover increased by €198,929 in the year to €12,812,631 (2012: €12,613,702).

During the year, the Company made an operating loss of €349,842 (2012: €576,318).

The Company made a loss for the financial year, net of taxation of €547,277 (2012: €508,206).

General business review – statement of financial position

Total assets decreased during the year by €2,055,841 to €3,480,621 (2012: €5,536,462).

The movement was primarily driven by a reduction of goodwill and stocks. Due to the change of the European business the goodwill has been impaired. Additionally stocks in the amount of €1,294,000 have been transferred during the year via the parent company Devicor USA from Devicor UK to Devicor Europe.

Total liabilities at year-end amounted to €3,754,018 (2012: €5,262,582); a decrease of €1,508,564 (2012: 4,645,105). The movement primarily consists of the reduction of the payables to the parent company as a consequence of the transfer of inventory.

General business review – statement of cash flow

The overall cash position increased in the year by €67,155 to € 596,349.

The increase follows from a net cash inflow from operating activities. This was mainly as a result of a decrease in inventories and trade and other receivables, offset by a decrease in accounts payable and other current liabilities.

Investing and financing activities contributed no net cash inflow or outflow.

Strategic Report (continued)

Key performance indicators (KPI's)

With the launch of a new product in 2014, the directors will use a number of KPI's in order to understand the development, performance and position of the business, these include:

- Level of working capital
- Active customers per month
- Volume of sales by product category
- Average selling price by product category
- Sales by customer
- Complaints by customer

At a relatively early stage of the company's life these are all performing as the directors expected.

Principal risks and uncertainties

The company's principal risks and uncertainties lie in the area of product risk and competition from others in the market place. In order to mitigate these risks, the company must ensure that its products are developed to the highest quality in order to ensure reliability to customers. The company is also continually researching and developing its product range in order to stay competitive with other suppliers in the market.

Financial risk management

The directors have considered the risks which are posed to the company and these are detailed below:

Foreign exchange risk

The directors believe although this could be a risk, the group's realised foreign exchange risk is covered by foreign exchange risk management in the US parent undertaking through the use of hedging.

Price risk

The directors believe this is always a risk due to pressure from customers, however through the launch of the new products, this should be reduced.

Liquidity and cashflow risk

The company always tries to ensure it is paid promptly and also reviews the customer ability to pay in order to manage the cashflow risk. This company also effectively manages its inventory levels according to expected demand, shortfalls in liquidity are met by short term financing arrangements with group undertakings.

On behalf of the Board

Dave Nuti

30 October 2014

Registered No. 07171675

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

DIRECTORS

The directors who served the company during the year were as follows:

T Daulton
J O Salkin
D Nuti

None of the directors holding office at 31 December 2013 had notified a beneficial interest in any contract to which the Company was a party during the financial year.

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

DIVIDENDS

The directors do not recommend a final dividend (2012 – €nil).

RESEARCH AND DEVELOPMENT

The Company did not invest in research and development in the UK.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who held office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all steps that ought to have been taken as director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

In accordance with section 487(2) of the Companies Act 2006, Ernst and Young LLP will continue in office as auditor of the Company.

GOING CONCERN

The financial statements are prepared on the going concern basis as the parent undertaking, Devicor Medical Products Inc., has indicated its intention to provide such financial support as is necessary for the company to continue in operation and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

On behalf of the Board

Dave Nuti
30 October 2014

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors' report

to the members of Devicor Medical UK Limited

We have audited the financial statements of Devicor Medical UK Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent auditors' report

to the members of Devicor Medical UK Limited

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Gary Harding (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
31 October 2014

Profit and loss account

for the year ended 31 December 2013

	Notes	2013 €	2012 €
Turnover	2	12,812,631	12,613,702
Cost of sales		(10,563,253)	(8,577,518)
Gross profit		2,249,378	4,036,184
Administrative expenses		(2,599,220)	(4,612,502)
Operating loss	3	(349,842)	(576,318)
Interest receivable and similar income	6	-	97,152
Interest payable and similar charges	7	(197,435)	(28,860)
Loss on ordinary activities before taxation		(547,277)	(508,026)
Tax	8	-	-
Loss for the financial year	15	(547,277)	(508,026)

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of € 547,277 in the year ended 31 December 2013 (2012 – loss of €508,026).

Balance sheet

at 31 December 2013

	Notes	2013 €	2012 €
Fixed assets			
Intangible assets - goodwill	9	375,624	1,716,189
Tangible assets	10	24,493	30,242
Investments	11	418,279	418,279
		818,396	2,164,710
Current assets			
Stocks		10,322	1,304,741
Debtors	12	2,055,554	1,537,817
Cash at bank and in hand		596,349	529,194
		2,662,225	3,371,752
Creditors: amounts falling due within one year	13	(3,754,018)	(5,262,582)
Net current liabilities		(1,091,793)	(1,890,830)
Total assets less current liabilities		(273,397)	273,880
Net		(273,397)	273,880
Capital and reserves			
Called up share capital	14	3	3
Share premium reserve	15	1,610,001	1,610,001
Profit and loss account	15	(1,883,401)	(1,336,124)
Shareholders' (deficit)/funds	16	(273,397)	273,880

Approved by the board of Directors on 30 October 2014. Signed in behalf of the board by

Dave Nuti

Director

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006.

The financial statements are prepared on the going concern basis as the parent undertaking, Devicor Medical Products Inc., has indicated its intention to provide such financial support as is necessary for the company to continue in operation and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

The financial statements contain information about Devicor Medical UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Devicor Medical Products Inc., a company Incorporated in the USA.

The company's functional currency is the Euro (€). The majority of sales made by the company are invoiced in Euros and Euro expenses also make up a large proportion of total expenses incurred. Transactions in other currencies do arise however foreign exchange differences are accounted for in line with the accounting policy detailed further below.

The principal accounting policies have been applied consistently during the year and are set out below.

Turnover

Turnover comprises revenue recognised by the company in respect of goods supplied, exclusive of Value Added Tax. Turnover is recognised when the risks and rewards of the underlying products have been transferred to the customer.

Statement of cash flows

The company is a wholly owned subsidiary of Devicor Medical Products Holdings Inc., and is included in the consolidated financial statements of Devicor Medical Products Holdings Inc., which are publicly available. Consequently, the company has taken advantage of the exemptions available under FRS 1 (revised 1996) "Statement of cash flows", not to include a statement of cash flows. Accordingly a statement of cash flows is not included within these financial statements.

Goodwill

Goodwill arising on the acquisition of business undertakings represents any excess of the fair value of consideration over the fair market value of the identifiable assets and liabilities acquired, and is capitalised and written off on a straight-line basis over its useful economic life, which is estimated to be 5 years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures and Equipment – 3 years straight-line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. All stocks relates to finished goods.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions arising during the year which are denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account in the period in which they arise.

Operating leases

Rentals payable under operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged in 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.

Pensions

The company operates a defined contribution scheme. The assets are held within a separately administered fund. Payments are charged to the profit and loss account in the period in which they become payable.

Related parties

The company has taken advantage of the exemption in FRS 8, "Related party disclosures" from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent undertaking.

Notes to the financial statements

at 31 December 2013

2. Turnover

The whole of the turnover is attributable to the principal activities of the business. The geographical locations of the customers by destination, which are not materially different to origin, are:

	2013	*2012*
	€	€
UK	1,412,800	1,330,556
Europe	10,702,751	10,708,219
Rest of World	697,080	574,927
	12,812,631	12,613,702

3. Operating loss

This is stated after charging/(crediting):

	2013	*2012*
	€	€
Depreciation	38,321	30,937
Amortisation	1,340,565	495,479
Services provided by the company's auditors		
– Fees payable for the audit	50,000	36,500
– Fees payable for the non-audit services tax compliance	14,500	6,400
– Fees payable for the non-audit services advisory	-	31,600
Foreign exchange losses	28,743	206,095
Operating lease rentals - other	19,323	17,985

In the prior year the company's auditors were PricewaterhouseCoopers LLP.

4. Directors' remuneration

The directors are remunerated by the parent undertaking, Devicor Medical Products Inc., for their services to Devicor Medical Products Inc., and receive no remuneration for their services as directors of the company.

5. Staff costs

	2013	*2012*
	€	€
Wages and salaries	430,677	400,371
Social security costs	53,237	45,399
Other pension costs	10,980	11,086
	494,894	456,856

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Sales	2	2
Administration	2	2
	4	4

Notes to the financial statements

at 31 December 2013

6. Interest receivable and similar income

	2013	2012
	€	€
On bank facilities	-	97,152

7. Interest payable and similar charges

	2013	2012
	€	€
On loans owed by group entities	197,435	28,860

8. Tax

(a) Tax on ordinary activities

The tax is made up as follows:

	2013	2012
	€	€
Current tax:		
UK corporation tax for the year	-	-
Total current tax	-	-
Tax on ordinary activities	-	-

(b) Factors affecting tax for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24.5% (2012 – 24.5%). The differences are explained below:

	2013	2012
	€	€
Loss on ordinary activities before tax	(547,277)	(508,026)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	(127,242)	(124,466)
Effects of:		
Expenses not deductible for tax purposes	-	47,195
Income imputed and capital disposal	199,519	128,971
Tax losses utilised	(72,277)	(51,700)
Current tax for the year	-	-

The company has estimated tax losses of €833,725 (2012 – €613,233) available to carry forward against future trading profits. The related deferred tax asset is not recognised (2012 – not recognised). The directors do not believe at this stage it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 December 2013

8. Tax (continued)

(c) Deferred tax

	2013 €	2012 €
Tax losses carried forward	166,745	141,044
Short term timing differences	29,151	-
Total potential deferred tax asset	195,896	141,044

(d) Factors that may affect future tax

During the year, the main rate of UK corporation tax was 24%. This was substantively enacted on 26 March 2012 and was effective from 1 April 2012.

Further reductions to the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015 have been included in Finance Act 2013. These rate reductions have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

9. Intangible fixed assets

	Goodwill €
Cost or valuation:	
At 31 December 2012	2,639,354
Additions	-
At 31 December 2013	2,639,354
Amortisation:	
At 31 December 2012	923,165
Charge for the year	1,340,565
At 31 December 2013	2,263,730
Net book value:	
At 31 December 2013	375,624
At 31 December 2012	1,716,189

Notes to the financial statements

at 31 December 2013

10. Tangible fixed assets

	Fixtures and equipment €	*Total* €
Cost or valuation:		
At 31 December 2012	81,065	81,065
Additions	32,572	32,572
At 31 December 2013	113,637	113,637
Depreciation:		
At 31 December 2012	50,823	50,823
Charge for the year	38,321	38,321
At 31 December 2013	89,144	89,144
Net book value:		
At 31 December 2013	24,493	24,493
At 31 December 2012	30,242	30,242

11. Investments

	Shares in subsidiary undertakings €
Cost:	
At 31 December 2012 and 2013	418,279

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Devicor Medical UK Limited owns shares in its subsidiaries, as detailed below:

Name of undertaking	*Country of incorporation*	*Description of shares held*	*% of shares held*
Devicor Medical Korea Limited	Republic of Korea	Ordinary	100

Notes to the financial statements

at 31 December 2013

12. Debtors

	2013	2012
	€	€
Due within one year		
Trade debtors	397,062	457,151
Amounts owed by group undertakings	1,658,492	854,630
Other debtors	-	211,952
Corporation tax receivable	-	14,084
	2,055,554	1,537,817

13. Creditors: amounts falling due within one year

	2013	2012
	€	€
Trade creditors	163,724	31,204
Amounts owed to group undertakings	3,241,870	4,814,437
Other taxes and social security costs	74,019	59,823
Accruals	274,405	357,118
	3,754,018	5,262,582

14. Issued share capital

		2013		2012
Allotted, called up and fully paid	*No.*	€	*No.*	€
Ordinary shares of €1.1817 each	2	2	2	2
Ordinary shares of €1 each	1	1	1	1
		3		3

15. Movements on reserves

	Share premium	*Profit and loss account*
	€	€
At 31 December 2012	1,610,001	(1,336,124)
Loss for the financial year	-	(547,277)
At 31 December 2013	1,610,001	(1,883,401)

Notes to the financial statements

at 31 December 2013

16. Reconciliation of shareholders' funds

	2013	*2012*
	€	*€*
Opening shareholders' funds	273,880	781,906
Loss for the financial year	(547,277)	(508,026)
Closing shareholders' funds	(273,397)	273,880

17. Pensions

The company operates a defined contribution pension scheme for the benefit of its employees, during the year contributions of €9,501 (2012 – €11,086) were made. At the balance sheet date there were unpaid contributions of €8,127 (2012 – €18,042).

18. Other financial commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below:

		Other
	2013	*2012*
	€	*€*
Operating leases that expire		
Within one year	16,781	18,697
Between two and five years	-	14,827
Total	16,781	33,524

19. Ultimate parent undertaking and controlling party

The company is owned by Devicor Medical Products Inc., 300 E Business Way, Cincinnati, OH 45241, USA, the parent undertaking.

The ultimate parent undertaking and controlling party is Devicor Medical Products Holdings Inc., a company incorporated in USA.

Devicor Medical Products Holdings Inc., is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2013.

Copies of the consolidated financial statements can be obtained from 300 E Business Way, Cincinnati, OH 45241.