

Registered No. 473439

REPORT AND ACCOUNTS

HEMECRAFT MANUFACTURING LIMITED

31 December 1998



Registered No. 473439

DIRECTORS

A M W Jackson

J M McHargue (USA)

SECRETARY

A M W Jackson

AUDITORS

Ernst & Young

Becket House

1 Lambeth Palace Road

London

SE1 7EU

REGISTERED OFFICE

Farnham Trading Estate

Farnham

Surrey

GU9 9NQ

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 1998.

Activities and review of operations

The principal activity of the Company is that of an investment holding company.

Results and dividends

The profit for the year amounts to £1,037,302 (1997 - £1,769,859). No interim dividend was paid during the year (1997 - £1,770,000). The Directors recommend the payment of a final dividend of £1,037,000 (1997 - Nil).

Directors

The Directors of the Company are those listed on page 1. A M W Jackson was appointed on 6 July 1998. D J Miller resigned on 11 November 1998.

Directors' interests

None of the Directors has a beneficial interest in the shares of the Company. The interests of the Directors in the share capital of the ultimate parent company are as follows:

Interests in ordinary shares of 10p each

	At 31 December 1998	At 1 January 1998 or date of appointment if later
A M W Jackson	1,058	1,058

Options over ordinary shares of 10p each

	At 31 December 1998	At 1 January 1998 or date of appointment if later	Options granted during the year	Options exercised during the year
A M W Jackson	63,145	47,500	28,145	-
J M McHargue	82,500	50,000	32,500	-

The options granted under the Share Option Schemes are exercisable between 1999 and 2008 at prices between 93.5p and 195.5p per share. There were no other notifiable interests.

Employees

There were no employees of the Company during the year (1997 - Nil).

Charitable and Political Contributions

The Company made no charitable or political contributions in the year (1997 - Nil).

DIRECTORS' REPORT

Directors' responsibilities for the accounts

Company law requires the Directors to prepare accounts for each financial year which 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 those accounts, the Directors are required to:

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

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Auditors

Ernst & Young have expressed their willingness to continue in office as Auditors and a resolution proposing their reappointment will be submitted at the forthcoming Annual General Meeting.

By order of the Board



A M W Jackson
Secretary

22 October 1999

REPORT OF THE AUDITORS

to the members of Homecraft Manufacturing Limited

We have audited the accounts on pages 5 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

As described on page 3 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

22 October 1999

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	Notes	1998 £	1997 £
Bank interest payable and similar charges		-	(206)
Bank interest receivable		302	461
Income from shares in group undertakings		<u>1,037,000</u>	<u>2,212,500</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,037,302	2,212,755
Taxation	2	<u>-</u>	<u>(442,896)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,037,302	1,769,859
Dividends	3	<u>(1,037,000)</u>	<u>(1,770,000)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>302</u>	<u>(141)</u>

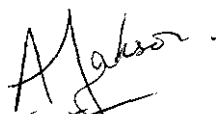
A statement of the movement on reserves is set out in note 8.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit of £1,037,302 in the year ended 31 December 1998 (1997 - £1,769,859).

BALANCE SHEET
at 31 December 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Investments	4	29,014,248	29,014,248
CURRENT ASSETS			
Debtors - due within one year	5	1,037,000	260,708
Debtors - due after more than one year	6	446,065	185,404
Cash at bank and in hand		11,368	11,019
		457,433	457,131
CREDITORS: amounts falling due within one year			
Proposed dividend payable		(1,037,000)	-
NET CURRENT ASSETS		457,433	457,131
TOTAL ASSETS LESS CURRENT LIABILITIES		29,471,681	29,471,379
CAPITAL AND RESERVES			
Called up share capital	7	3,908	3,908
Profit and loss account	8	29,467,773	29,467,471
EQUITY SHAREHOLDERS' FUNDS	9	29,471,681	29,471,379



A M W Jackson
Director

22 October 1999

NOTES TO THE ACCOUNTS
at 31 December 1998

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is a wholly owned subsidiary undertaking of a body registered in England and Wales and is therefore exempt under S228 of the Companies Act 1985 from the requirement to prepare group accounts.

2. TAXATION

The charge based on the profit for the year comprises:

	1998 £	1997 £
Tax attributable to franked investment income	-	442,500
Adjustment in respect of prior years	-	396
	-	442,896

3. DIVIDENDS

	1998 £	1997 £
Interim paid	-	1,770,000
Final proposed	1,037,000	-
	1,037,000	1,770,000

4. INVESTMENTS

	£
Shares in subsidiary undertakings at cost: At 31 December 1998 and 1997	29,014,248

In the opinion of the directors, the aggregate value of the Company's investments is not less than the amount at which they are included in the Company's balance sheet.

The principal subsidiary undertakings at 31 December 1998 were as follows:

Company	Country of incorporation	Nature of business	Holding
Chester-Care Limited	United Kingdom	Holding company	100% direct
Smith & Nephew Homecraft Limited	United Kingdom	Manufacture and sale of aids to the infirm	100% indirect

NOTES TO THE ACCOUNTS
at 31 December 1998

5. DEBTORS: amounts falling due within one year

	1998 £	1997 £
Dividends receivable	1,037,000	-
ACT recoverable	-	260,708
	<u>1,037,000</u>	<u>260,708</u>

6. DEBTORS: amounts falling due after more than one year

	1998 £	1997 £
Amounts owed by group undertakings	446,065	185,404
	<u>446,065</u>	<u>185,404</u>

7. CALLED UP SHARE CAPITAL

	Authorised 1998 and 1997 £	Allotted, issued and fully paid 1998 and 1997 £
Ordinary shares of £1 each	3,908	3,908
	<u>3,908</u>	<u>3,908</u>

8. PROFIT AND LOSS ACCOUNT

	£
At 1 January 1998	29,467,471
Profit for the year	<u>302</u>
At 31 December 1998	<u>29,467,773</u>

9. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	1,037,302	1,769,859
Dividends	<u>(1,037,000)</u>	<u>(1,770,000)</u>
Loss for the year	302	(141)
Opening shareholders' funds	<u>29,471,379</u>	<u>29,471,520</u>
Closing shareholders' funds	<u>29,471,681</u>	<u>29,471,379</u>

NOTES TO THE ACCOUNTS
at 31 December 1998

10. CASH FLOW STATEMENT

The Company is not required to produce a cash flow statement. It is a wholly owned subsidiary of Smith & Nephew plc which prepares a consolidated cash flow statement as required under FRS1 (Revised).

11. ULTIMATE PARENT UNDERTAKING

The parent company of the group of undertakings for which group accounts are drawn up and of which the Company is a member is Smith & Nephew plc. Smith & Nephew plc is also the Company's ultimate parent company. Copies of the accounts of Smith & Nephew plc can be obtained from Heron House, 15 Adam Street, London, WC2N 6LA.