

Haemonetics (U.K.) Limited

Accounts 28 March 1998

together with directors' and auditors' reports

Registered number: 1231087



Directors' report

For the year ended 28 March 1998

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 28 March 1998.

Principal activities and business review

The principal activities of the company continue to be the manufacturing and marketing of blood processing equipment and disposables, with full after sales service.

Turnover increased by 42% during the year. The profit on ordinary activities before taxation was £845,742 (1997 - £792,875).

Results and dividends

Results for the year are as follows:

	£
Retained profit, beginning of year	2,103,349
Profit for the financial year	579,171
Retained profit, end of year	<u>2,682,520</u>

No dividend is proposed.

Directors and their interests

The directors of the company during the year are as shown below -

J.L. Peterson	
J.F. White	(Resigned 30 January 1998)
G. Lane	(Resigned 7 January 1998)
J. Barr	(Resigned 21 November 1997)
D. Urquhart	(Appointed 5 March 1998)

The directors have no beneficial interests which are required to be disclosed under Section 234 of the Companies Act 1985.

Directors' report (continued)

Directors' responsibilities

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 and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure 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

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

By order of the Board

Beechwood House
Beechwoods Estate
Elmete Lane
Roundhay
Leeds
LS8 2LQ



B. Wilson

Company Secretary

10 December 1998

ARTHUR ANDERSEN

Auditors' report

Leeds

To the Shareholders of Haemonetics (U.K.) Limited:

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 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 circumstances of the company, 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 company's state of affairs at 28 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

1 City Square
Leeds
LS1 2AL

10 December 1998

Profit and loss account

For the year ended 28 March 1998

	Note	1998 £	1997 £
Turnover	2	20,013,785	14,108,517
Cost of sales		(17,396,313)	(11,414,279)
Gross profit		<u>2,617,472</u>	<u>2,694,238</u>
Other operating expenses	3	(1,475,575)	(1,632,174)
Operating profit		<u>1,141,897</u>	<u>1,062,064</u>
Interest receivable and similar income		39,438	29,090
Interest payable and similar charges	4	(335,593)	(298,279)
Profit on ordinary activities before taxation	5	<u>845,742</u>	<u>792,875</u>
Tax on profit on ordinary activities	7	(266,571)	(296,981)
Profit for the financial year	15	<u>579,171</u>	<u>495,894</u>
Retained profit, beginning of year		<u>2,103,349</u>	<u>1,607,455</u>
Retained profit, end of year		<u><u>2,682,520</u></u>	<u><u>2,103,349</u></u>

The company has made no recognised gains or losses other than the profit for the financial years reported above.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

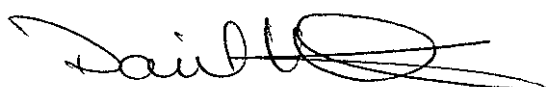
28 March 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	8	2,706,698	2,735,809
Investment	9	440	440
		<u>2,707,138</u>	<u>2,736,249</u>
Current assets			
Stocks	10	3,407,503	3,793,085
Debtors	11	5,206,764	3,441,877
Cash at bank and in hand		1,070,711	1,075,842
		<u>9,684,978</u>	<u>8,310,804</u>
Creditors: Amounts falling due within one year	12	<u>(8,875,349)</u>	<u>(8,109,483)</u>
Net current assets		<u>809,629</u>	<u>201,321</u>
Total assets less current liabilities		<u>3,516,767</u>	<u>2,937,570</u>
Creditors: Amounts falling due after more than one year	13	<u>(784,247)</u>	<u>(784,221)</u>
Net assets		<u>2,732,520</u>	<u>2,153,349</u>
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account		2,682,520	2,103,349
Equity shareholders' funds	15	<u>2,732,520</u>	<u>2,153,349</u>

Signed on behalf of the Board

D Urquhart

Director



10 December 1998

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

28 March 1998

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are set out below:

a. Basis of accounting

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

The company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard No. 1 (Revised) as the ultimate parent company prepares consolidated accounts which are available to the public.

b. Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation.

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of fixed assets on a straight-line basis over their estimated useful lives as follows:

Plant and equipment	5-10 years
Fixtures and fittings	3-5 years
Buildings	30 years

c. Government grants

In accordance with SSAP 4 (revised), government grants received in respect of expenditure on fixed assets are treated as deferred income and amortised over the expected useful lives of the assets concerned.

d. Fixed asset investment

The investment in the associated undertaking, Immunoscope Limited, is stated at cost.

e. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes the cost of direct materials and labour plus attributable overheads based on normal levels of activity. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Stock on contract to customers is written-off over the period of the contract.

Stock on loan to customers is written-off over a period of three years commencing twelve months after the start of the loan period.

Notes to accounts (continued)

1 Accounting policies (continued)

f. Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation has been calculated on the liability method and is provided to the extent that the directors are of the opinion that such taxation may become payable in the foreseeable future.

g. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

h. Income recognition

Income from contracts for the combined supply of equipment and disposables is recognised on a usage basis over the life of the contract.

i. Leases

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

j. Pension costs

The company provides for pension liabilities by payments to an independently managed fund. The charge to the profit and loss account represents the employer's contributions payable for the year.

k. Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

2 Turnover

Turnover arose wholly in the UK from the principal activities of the company. Contributions to turnover by geographical segment were as follows:

	1998 £	1997 £
UK	5,454,963	5,689,283
Rest of Europe	244,000	197,007
North America	14,314,822	8,222,227
	<u>20,013,785</u>	<u>14,108,517</u>

Notes to accounts (continued)

3 Other operating expenses

	1998 £	1997 £
Distribution costs	619,308	808,718
Administrative expenses	856,267	823,456
	<u>1,475,575</u>	<u>1,632,174</u>

4 Interest payable and similar charges

	1998 £	1997 £
On bank loans and overdrafts	47,939	4,537
On other loans	287,654	293,742
	<u>335,593</u>	<u>298,279</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	1998 £	1997 £
Depreciation of tangible fixed assets	440,274	433,821
Amortisation of government grant	(99,590)	(92,090)
Operating lease rentals		
- motor vehicles	74,804	104,608
- land and buildings	80,000	80,000
Auditors' remuneration - audit fees	22,500	19,500
- non-audit fees	9,377	16,516
Staff costs (note 6)	<u>3,050,637</u>	<u>1,770,542</u>

6 Staff costs

Particulars of employee costs (including executive directors) are as shown below:

	1998 £	1997 £
Employee costs during the year amounted to:		
Wages and salaries	2,680,376	1,526,799
Social security costs	239,056	151,936
Other pension costs (note 16c)	131,205	91,807
	<u>3,050,637</u>	<u>1,770,542</u>

Notes to accounts (continued)

6 Staff costs (continued)

The average monthly number of persons employed by the company during the year was as follows:

	1998 Number	1997 Number
Manufacturing	208	88
Selling and distribution	11	14
Administration	6	7
	<u>225</u>	<u>109</u>

Directors' remuneration:

The employee costs shown above include the following remuneration in respect of directors of the company:

	1998 £	1997 £
Emoluments	4,078	85,438
Company contributions to money purchase schemes	327	4,822
	<u>4,405</u>	<u>90,260</u>

The number of directors who were members of pension schemes was follows:

	1998 Number	1997 Number
Money purchase scheme	<u>1</u>	<u>1</u>

7 Tax on profit on ordinary activities

The tax charge comprises:

	1998 £	1997 £
Corporation tax	270,394	268,000
Adjustment of current taxation in respect of prior years	(3,823)	28,981
	<u>266,571</u>	<u>296,981</u>

Notes to accounts (continued)

7 Tax on profit on ordinary activities (continued)

There was no requirement for a deferred taxation provision at 28 March 1998 or at 29 March 1997. The amount of unrecognised deferred taxation on all timing differences is as follows:

	1998 £	1997 £
Excess of capital allowances over depreciation of tangible fixed assets	(75,570)	(132,000)
Short term timing differences	211,110	257,730
Unrecognised deferred tax asset	<u>135,540</u>	<u>125,730</u>

8 Tangible fixed assets

The movement in the year was as follows:

	Land and buildings £	Plant and machinery £	Fixtures and Fittings £	Total £
Cost				
Beginning of year	1,574,529	1,559,759	874,964	4,009,252
Additions	232,715	57,956	120,492	411,163
End of year	<u>1,807,244</u>	<u>1,617,715</u>	<u>995,456</u>	<u>4,420,415</u>
Depreciation				
Beginning of year	121,974	538,683	612,786	1,273,443
Charge	230,236	73,822	136,216	440,274
End of year	<u>352,210</u>	<u>612,505</u>	<u>749,002</u>	<u>1,713,717</u>
Net book value, beginning of year	<u>1,452,555</u>	<u>1,021,076</u>	<u>262,178</u>	<u>2,735,809</u>
Net book value, end of year	<u>1,455,034</u>	<u>1,005,210</u>	<u>246,454</u>	<u>2,706,698</u>

Notes to accounts (continued)

9 Fixed asset investment

- a. The investment comprises the cost of 44% of the issued share capital of Immunoscope Limited, a company registered in England and Wales. The principal activity of the company is the development of renal diagnostic techniques.

It is understood that the directors of Immunoscope Limited intend to propose a winding up of the company.

	1998 £	1997 £
Investment in associated undertaking	<u>440</u>	<u>440</u>

- b. The following supplementary information on the company's interest in Immunoscope Limited has been derived from that company's accounts.

Amounts attributable to the company for the year:

	1998 £	1997 £
<u>Profit and loss account items</u>		
Loss retained for the financial year	<u>(9)</u>	<u>(431)</u>
<u>Balance sheet items</u>		
Share of net assets as at end of year	<u>189</u>	<u>198</u>
Share of post acquisition accumulated reserves	<u>(251)</u>	<u>(242)</u>

The company had no trading or loan account balances with its associated company.

10 Stocks

Stocks are as follows:

	1998 £	1997 £
Raw materials	1,680,054	1,503,114
Work in progress	317,913	340,173
Finished goods	1,409,536	1,949,798
	<u>3,407,503</u>	<u>3,793,085</u>

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Notes to accounts (continued)

11 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	751,250	664,958
Amounts owed by other group undertakings	4,078,441	2,474,009
Prepayments and accrued income	241,868	233,087
VAT	135,205	69,823
	<u>5,206,764</u>	<u>3,441,877</u>

12 Creditors: Amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	583,385	265,084
Trade creditors	1,471,694	715,944
Amounts owed to other group undertakings	5,612,371	6,104,685
Other creditors		
- UK corporation tax	294,686	172,970
- social security and PAYE	183,087	125,464
Accruals and deferred income	730,126	725,336
	<u>8,875,349</u>	<u>8,109,483</u>

The ultimate parent company has guaranteed the bank loans and overdrafts in full.

13 Creditors: Amounts falling due after more than one year

	1998 £	1997 £
Loan	102,792	102,792
Accruals and deferred income	681,455	681,429
	<u>784,247</u>	<u>784,221</u>

The loan is repayable between two and five years. Accruals and deferred income relate to government grants.

Notes to accounts (continued)

14 Called up share capital

	1998 £	1997 £
<i>Authorised, allotted, called up and fully paid:</i>		
50,000 ordinary shares of £1 each	50,000	50,000

15 Reconciliation of movements in equity shareholders' funds

	1998 £	1997 £
Opening equity shareholders' funds	2,153,349	1,657,455
Profit for the financial year	579,171	495,894
Closing equity shareholders' funds	2,732,520	2,153,349

16 Guarantees and other financial commitments

a. Counter indemnities

Counter indemnities are held by Barclays Bank and the Royal Bank of Scotland in favour of H.M. Customs and Excise for the sum of £60,000 (1997 - £210,000) and £200,000 (1997 - £100,000) respectively with respect to Duty Deferment Guarantees.

b. Contingent liabilities

At the year end, outstanding liabilities under documentary credits were £24,000 (1996 - £20,000).

c. Pension arrangements

The company operates a defined contribution money purchase pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £131,205 for the year (1997 - £91,807).

Notes to accounts (continued)

16 Guarantees and other financial commitments (continued)

d. Lease commitments

The company has entered into operating lease arrangements in respect of motor vehicles and fixtures and land and buildings. The minimum annual rentals payable under these leases are as follows:

	1998 £	1997 £
Motor vehicles and fixtures		
Operating leases which expire		
- within one year	48,917	29,394
- between two and five years	49,704	15,268
	<u>98,621</u>	<u>44,662</u>
Land and buildings		
Operating leases which expire:		
- within one year	2,916	-
- between two and five years	45,000	80,000
- over five years	45,000	-
	<u>92,916</u>	<u>80,000</u>

17 Related party transactions

The company is exempt from the requirements of Financial Reporting Standard No. 8 as the consolidated accounts of the ultimate parent company are publicly available.

18 Ultimate parent company

The company is a subsidiary undertaking of Haemonetics Corporation, incorporated in the USA.

The largest and smallest group in which the results of Haemonetics (U.K.) Limited are consolidated is that headed by Haemonetics Corporation. The consolidated accounts are available to the public and may be obtained from Haemonetics Corporation, 400 Wood Road, Massachusetts, U.S.A..