

Prentke Romich Europe Limited

Financial statements

30 September 1996

Registered number 2590367



Prentke Romich Europe Limited

Financial statements

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Prentke Romich Europe Limited

Report of the directors

The directors present their report and the audited financial statements for the year ended 30 September 1996.

Principal activity

The company acts as a distributor of augmentative alternative communication devices for its ultimate holding company, Prentke Romich Company, a company registered in the United States of America.

Review of business

The directors are satisfied with the results for the year.

Dividends

The directors do not recommend the payment of a dividend.

Fixed assets

The movements in fixed assets are set out in the notes to the financial statements.

Directors

The directors and their interests in the shares of the company during the year were as follows:

	Ordinary shares of £1 each 1996 and 1995
RA Jameson	-
T Sutton	8,800
B Baker	8,000
J Durbin	-
Mrs ME Broehl	-
Mrs K Phillips	-

Except as set out in notes 6, 12 and 13 to these financial statements, no director had, during or at the end of the period, any material interest in a contract which was significant in relation to the company's business.

Directors' interests in the shares of the holding company are shown in the financial statements of that company.

Prentke Romich Europe Limited

Report of the directors (*continued*)

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



ME Broehl
Secretary

12 December 1996

Prentke Romich Europe Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



St Nicholas House
Park Row
NOTTINGHAM
NG1 6FQ

Report of the auditors to the members of Prentke Romich Europe Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



*Chartered Accountants
Registered Auditors*

12 December 1996

Prentke Romich Europe Limited

Profit and loss account

for the year ended 30 September 1996

	Notes	1996 \$	1995 \$
Turnover	2	1,943,315	1,559,959
Cost of sales		(1,475,050)	(1,183,119)
Gross profit		468,265	376,840
Administrative expenses		(240,649)	(228,321)
		227,616	148,519
Other operating income	3	40,563	-
Operating profit		268,179	148,519
Interest receivable and similar income	4	3,241	-
Interest payable and similar charges	5	(22,699)	(45,733)
Profit on ordinary activities before taxation	6	248,721	102,786
Taxation on profit on ordinary activities	8	(74,360)	(24,740)
Retained profit for the financial year		174,361	78,046
Deficit brought forward		(10,911)	(88,957)
Retained profit/(deficit) carried forward		163,450	(10,911)

In both the current and preceding years, there was no material difference between the profit reported in the profit and loss account and the profit on an unmodified historical cost basis and there were no recognised gains or losses other than those disclosed in the profit and loss account.

In both the current and preceding years, the company made no material acquisitions and had no discontinued operations.

The notes on pages 8 to 13 form part of these financial statements.

Prentke Romich Europe Limited

Balance sheet at 30 September 1996

	Notes	1996	1995
		\$	\$
Fixed assets			
Tangible assets	10	39,594	26,953
Current assets			
Stocks	11	94,363	150,577
Debtors	12	536,096	577,318
Cash at bank and in hand		176,716	178,049
		<u>807,175</u>	<u>905,944</u>
Creditors: amounts falling due within one year	13	(533,598)	(803,888)
Net current assets		<u>273,577</u>	<u>102,056</u>
Total assets less current liabilities		<u>313,171</u>	<u>129,009</u>
Creditors: amounts falling due after more than one year	14	(9,801)	-
Net assets		<u><u>303,370</u></u>	<u><u>129,009</u></u>
Capital and reserves			
Called up share capital	16	139,920	139,920
Profit and loss reserves		163,450	(10,911)
Shareholders' funds	17	<u><u>303,370</u></u>	<u><u>129,009</u></u>

These financial statements were approved by the board of directors on 12 December 1996 and were signed on its behalf by:

K Phillips

J Durbin
Directors

Kate J Phillips
J. S. Durbin

The notes on pages 8 to 13 form part of these financial statements.

Prentke Romich Europe Limited

Cash flow statement for the year ended 30 September 1996

	Notes	1996	1995
		\$	\$
Net cash inflow from operating activities	18	66,964	96,110
<i>Returns on investments and servicing of finance:</i>			
Interest received		3,241	-
Interest paid		(22,699)	(1,353)
Net cash outflows from returns on investments and servicing of finance		(19,458)	(1,353)
<i>Taxation</i>			
UK corporation tax paid		(25,360)	(5,395)
<i>Investing</i>			
Purchase of tangible fixed assets		(35,479)	(2,991)
Sale of tangible fixed assets		12,000	2,160
		(23,479)	(831)
(Decrease)/increase in cash and cash equivalents	19	(1,333)	88,531

The notes on pages 8 to 13 form part of these financial statements.

Prentke Romich Europe Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention:

The financial statements have been prepared in accordance with applicable accounting standards and on a going concern basis which assumes the continued support of the ultimate parent undertaking.

Functional currency:

The company acts as a distribution agent for its US parent undertaking and, as such, the majority of its transactions are in US Dollars. The financial statements have therefore been prepared in US Dollars, the company's functional currency. Monetary assets and liabilities at 30 September 1996 expressed in any currency other than US Dollars have been translated at the exchange rate of £1 : \$1.55.

Basis of consolidation:

Group financial statements have not been prepared in accordance with the exemptions offered to small sized groups by the Companies Act 1985.

Turnover:

Turnover is the total amount receivable by the company in the ordinary course of the business with outside customers for goods supplied and for services provided, excluding value added tax and trade discounts.

Research and development expenditure:

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Depreciation:

Depreciation is charged over the expected useful lives of fixed assets at the following rates:

Fixtures, fittings and equipment	- 25% per annum straight line
Motor vehicles	- 25% per annum reducing balance

Finished goods and goods for resale:

Stocks of finished goods are stated at the lower of cost and net realisable value.

Taxation:

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Provision is made for deferred taxation to the extent that it is expected to fall due for payment in the foreseeable future.

Prentke Romich Europe Limited

Notes (continued)

1 Accounting policies (continued)

Share capital:

Share capital has been translated at the historic rate of £1 = \$1.749.

Leasing and hire purchase commitments:

Assets obtained under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives. The finance charges are written off to the profit and loss account in the period in which they arise.

2 Turnover

The whole of the company's turnover was derived from its principal activity and excludes VAT. The analysis of turnover by geographical area is as follows:

	1996 \$	1995 \$
United Kingdom	847,126	674,246
Rest of Europe	1,096,189	885,713
	<u>1,943,315</u>	<u>1,559,959</u>

3 Other operating income

	\$	\$
Management services	40,563	-
	<u>40,563</u>	<u>-</u>

4 Interest receivable and similar income

	\$	\$
Loan interest	3,241	-
	<u>3,241</u>	<u>-</u>

5 Interest payable and similar charges

	\$	\$
Interest payable and similar charges:		
On bank overdraft	-	1,353
On all other loans	22,699	44,380
	<u>22,699</u>	<u>45,733</u>

Prentke Romich Europe Limited

Notes (continued)

6 Profit on ordinary activities before taxation

	1996	1995
	\$	\$
<i>This is stated after charging/(crediting):</i>		
Auditors' remuneration	4,875	4,875
Directors' remuneration	89,907	87,023
Depreciation of owned assets	3,359	2,860
Depreciation of assets held under hire purchase agreement	5,014	6,133
Management fee	5,359	1,563
Administrative charge	20,830	20,547
Exchange (gain)/loss	(7,436)	23,992
	<u> </u>	<u> </u>

The charge for administrative services, including full office, shipping and technical training and support is paid to Liberator Limited in accordance with a written agreement.

7 Employee information

The average number of employees of the company, including directors, was 8 (1995: 8).

	1996	1995
	\$	\$
<i>The costs of employment were:</i>		
Wages and salaries	131,900	83,576
Social security costs	7,686	3,562
Other pension costs	8,327	7,911
	<u> </u>	<u> </u>
	147,913	95,049
	<u> </u>	<u> </u>

8 Taxation on profit on ordinary activities

	\$	\$
Corporation tax at 35.25% (1995: 25%)	75,000	26,000
Over provision in prior year	(640)	(1,260)
	<u> </u>	<u> </u>
	74,360	24,740
	<u> </u>	<u> </u>

9 Investment in subsidiary

The company owns the entire share capital of Prentke Romich GmbH, a company registered and incorporated in Germany. It acquired the share capital for a consideration of \$63,555 on 27 September 1992. There is one ordinary share in issue and the value of this investment was written down to zero, as an exceptional item in 1992.

Prentke Romich Europe Limited

Notes (continued)

10 Tangible assets

	Fixtures, fittings, and equipment \$	Motor vehicles \$	Total \$
<i>Cost:</i>			
At 1 October 1995	11,285	25,612	36,897
Additions	3,102	32,377	35,479
Disposals	-	(25,612)	(25,612)
At 30 September 1996	<u>14,387</u>	<u>32,377</u>	<u>46,764</u>
<i>Depreciation:</i>			
At 1 October 1995	3,811	6,133	9,944
Charge for year	3,359	5,014	8,373
Disposals	-	(11,147)	(11,147)
At 30 September 1996	<u>7,170</u>	<u>-</u>	<u>7,170</u>
<i>Net book value:</i>			
At 30 September 1996	<u>7,217</u>	<u>32,377</u>	<u>39,594</u>
At 30 September 1995	<u>7,474</u>	<u>19,479</u>	<u>26,953</u>

The net book value of tangible fixed assets includes \$32,377 (1995: \$19,479) in respect of assets held under hire purchase agreements.

Depreciation charges in the year on these assets amounted to \$nil (1995: \$6,133).

11 Stocks

	1996 \$	1995 \$
Finished goods and goods for resale	<u>94,363</u>	<u>150,577</u>

12 Debtors

	\$	\$
Trade debtors	163,881	108,200
Amounts owed by group undertakings	146,557	219,873
Amounts owed by related undertaking	214,246	249,245
Other debtors	11,412	-
	<u>536,096</u>	<u>577,318</u>

The related undertaking is Liberator Limited, of which Mr T Sutton is a director and the majority shareholder.

Sales to group undertakings were \$623,968 (1995: \$377,751).

Prentke Romich Europe Limited

Notes (continued)

13	Creditors: amounts falling due within one year	1996	1995
		\$	\$
	Trade creditors	16,222	10,878
	Amounts owed to group undertakings	395,976	685,096
	Corporation tax	75,000	26,000
	Other creditors including tax and social security	-	5,020
	Hire purchase	9,801	10,196
	Accruals and deferred income	36,599	66,698
		<u>533,598</u>	<u>803,888</u>
		<u><u>533,598</u></u>	<u><u>803,888</u></u>
	Purchases from group undertakings were \$1,326,835 (1995: \$1,076,542).		
14	Creditors: amounts falling due after more than one year	\$	\$
	Hire purchase	9,801	-
		<u>9,801</u>	<u>-</u>
		<u><u>9,801</u></u>	<u><u>-</u></u>
15	Obligations under hire purchase contracts	\$	\$
	Amounts due within one year	9,801	10,196
	Amounts due within two to five years	9,801	-
		<u>19,602</u>	<u>10,196</u>
		<u><u>19,602</u></u>	<u><u>10,196</u></u>
16	Share capital	\$	\$
	<i>Authorised:</i>		
	500,000 ordinary shares of £1 each	874,500	874,500
		<u>874,500</u>	<u>874,500</u>
	<i>Issued and fully paid:</i>		
	80,000 ordinary shares of £1 each	139,920	139,920
		<u>139,920</u>	<u>139,920</u>
		<u><u>139,920</u></u>	<u><u>139,920</u></u>
17	Reconciliation of movements in shareholders' funds	\$	\$
	Profit for the financial year	174,361	78,046
	Opening shareholders' funds	129,009	50,963
		<u>303,370</u>	<u>129,009</u>
	Closing shareholders' funds	<u><u>303,370</u></u>	<u><u>129,009</u></u>

Prentke Romich Europe Limited

Notes (continued)

18	Reconciliation of operating profit to net cash inflow from operating activities	1996	1995
		\$	\$
	Operating profit	268,179	148,519
	Depreciation	8,373	8,993
	Loss/(profit) on sale of fixed assets	2,465	(945)
	Decrease/(increase) in stocks	56,214	(102)
	Decrease/(increase) in debtors	41,222	84,792
	(Decrease)/increase in creditors	(309,489)	(145,147)
	Net cash inflow from operating activities	<u>66,964</u>	<u>96,110</u>

19 Analysis of balances of cash and cash equivalent as shown in the balance sheet

	1996	1995	Change
	\$	\$	\$
Cash at bank and in hand	176,716	178,049	(1,333)
	<u>176,716</u>	<u>178,049</u>	<u>(1,333)</u>

20 Capital commitments

There were no capital commitments at 30 September 1996 (1995: \$nil).

21 Ultimate parent undertaking

The ultimate parent undertaking is Prentke Romich Company of 1022 Heyl Road, Wooster, Ohio, a company registered and incorporated in the United States of America.

22 Directors' interests

The company made sales of \$847,126 (1995: \$674,247) and purchases of \$37,898 (1995: \$126,659) to/from Liberator Limited during the period. Mr T Sutton is a director and majority shareholder of this company. The transactions were made on an arms length basis.