



# Financial Statements

## Rochester Medical Limited

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For the year ended 30 September 2011



Registered number: 05779226

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**Rochester Medical Limited**

## Company Information

<b>Director</b>	Mr D A Jonas
<b>Company secretary</b>	Mr P H Mcleod
<b>Company number</b>	05779226
<b>Registered office</b>	21 Wilson Street London EC2M 2TD
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP
<b>Bankers</b>	Barclays Bank Plc PO Box 165 Crawley West Sussex BX3 2BB

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**Rochester Medical Limited**

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**Rochester Medical Limited**

**Director's report**

**For the year ended 30 September 2011**

The director presents his report and the financial statements for the year ended 30 September 2011

**Principal activity**

The principal activity of the company is the distribution of a broad line of innovative, technologically enhanced urinary continence and urine drainage care products for home care and acute extended care

**Business review**

The company is a wholly owned subsidiary of Rochester Medical Corporation

Rochester Medical Limited (Rochester) serves as a distributor of urinary continence and urine drainage care products in the UK. Rochester sells to both wholesalers and patient customers.

The company is continuing to grow, with turnover increasing 17% to £11.4 million in 2011 compared to £9.7 million in 2010.

There are no significant cash flow, liquidity or credit risks that currently impact the company. During the year the foreign exchange rate volatility between the US Dollar and UK Sterling has negatively impacted the level of foreign borrowing and purchasing from overseas. The impact of this has generated a loss on foreign exchange of £99,734.

There have been no other significant events since the balance sheet date.

**Results**

The profit for the year, after taxation, amounted to £27,874 (2010 - loss £333,859).

**Director**

The director who served during the year was

Mr D A Jonas

**Principal risks and uncertainties**

Competitive pressure in the UK is a continuing risk for the company. The company manages this risk by bringing new and innovative products to the market and improving the level of service given to customers.

**Financial risk**

The company's financial instruments comprise bank balances, trade debtors and trade creditors. A large portion of stock is purchased from the parent company and denominated in US Dollars. During the past three years, the foreign exchange rate volatility between the US Dollar and the UK Sterling has negatively impacted our financial results. We cannot predict the effects of foreign currency exchange fluctuations upon our future operating results because of the volatility of currency exchange rates.

**Director's responsibilities statement**

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

**Rochester Medical Limited**

## Director's report

For the year ended 30 September 2011

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

### Provision of information to auditor

The director at the time when this Director's report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

### Auditor

Grant Thornton UK LLP were appointed as auditors on the 16 September 2011 to fill a casual vacancy in accordance with section 485(3) of the Companies Act 2006.

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

Mr D A Jonas

Director

Date

25 June 2012





## Independent auditor's report to the members of Rochester Medical Limited

We have audited the financial statements of Rochester Medical Limited for the year ended 30 September 2011, which comprise the Profit and loss account, the Balance sheet and the related notes. 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 director and auditor**

As explained more fully in the Director's responsibilities statement, the director is 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**

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Independent auditor's report to the members of Rochester Medical 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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Grant Thornton UK LLP*

Harold Wilson (Senior statutory auditor)  
for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditor

London (Euston)

Date

*27 June 2012*

**Rochester Medical Limited**

## Profit and loss account

For the year ended 30 September 2011

	Note	2011 £	2010 £
Turnover	1,2	11,390,042	9,717,191
Cost of sales		(6,448,496)	(5,701,852)
<b>Gross profit</b>		<b>4,941,546</b>	<b>4,015,339</b>
Distribution costs		(1,608,949)	(1,512,707)
Administrative expenses		(3,269,969)	(2,832,062)
<b>Operating profit/(loss)</b>	3	<b>62,628</b>	<b>(329,430)</b>
Interest receivable and similar income		3,133	3,535
Interest payable and similar charges	6	(26,018)	(28,776)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>39,743</b>	<b>(354,671)</b>
Tax on profit/(loss) on ordinary activities	7	(11,869)	20,812
<b>Profit/(loss) for the financial year</b>	16	<b>27,874</b>	<b>(333,859)</b>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 7 to 17 form part of these financial statements



**Rochester Medical Limited**  
**Registered number. 05779226**

## Balance sheet

As at 30 September 2011

	Note	£	2011 £	£	2010 £
<b>Fixed assets</b>					
Intangible assets	8		2,590,949		3,083,111
Tangible assets	9		851,102		867,567
			<u>3,442,051</u>		<u>3,950,678</u>
<b>Current assets</b>					
Stocks	10	1,805,755		1,612,518	
Debtors	11	1,805,916		2,215,614	
Cash in hand		3,314,912		2,595,326	
		<u>6,926,583</u>		<u>6,423,458</u>	
<b>Creditors</b> amounts falling due within one year	12	(1,620,428)		(1,518,399)	
<b>Net current assets</b>			<u>5,306,155</u>		<u>4,905,059</u>
<b>Total assets less current liabilities</b>			<u>8,748,206</u>		<u>8,855,737</u>
<b>Creditors</b> amounts falling due after more than one year	13		(6,100,601)		(6,298,041)
<b>Net assets</b>			<u>2,647,605</u>		<u>2,557,696</u>
<b>Capital and reserves</b>					
Called up share capital	15		1		1
Other reserves	16		4,557,400		4,495,365
Profit and loss account	16		(1,909,796)		(1,937,670)
<b>Shareholders' funds</b>	17		<u>2,647,605</u>		<u>2,557,696</u>

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

Mr D A Jonas  
 Director  
 Date

  
 25 June 2012

The notes on pages 7 to 17 form part of these financial statements

## Notes to the financial statements

For the year ended 30 September 2011

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

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

#### 1.2 Going concern

The company is dependent on the continued provision of finance from the parent undertaking through the inter-company loan account. The ultimate parent company has provided a letter of support which indicates that the necessary financial support will be provided to continue the growth of the company for the foreseeable future. On this basis the director believes it is appropriate for the company to adopt the going concern basis in preparing the financial statements

#### 1.3 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

#### 1.4 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

#### 1.5 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Amortisation is provided at the following rates

Customer lists	-	20 years straight line
Goodwill	-	15 years straight line

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold property	-	30 years straight line
Plant & machinery	-	5-7 years straight line

## Notes to the financial statements

For the year ended 30 September 2011

### 1. Accounting policies (continued)

#### 17 Operating leases

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

#### 18 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

#### 19 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

#### 110 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

#### 111 Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

The assets of the scheme are held separately from those of the company in an independently administered fund

## Notes to the financial statements

For the year ended 30 September 2011

### 1. Accounting policies (continued)

#### 1 12 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

#### 1 13 Share based payments

The company has applied the requirements of FRS 20 Share-based payment. The parent company Rochester Medical Corporation issues equity-settled share-based payments to two employees of the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest and is adjusted for the effect of non market-based vesting conditions.

### 2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

All turnover arose within the United Kingdom.

**Rochester Medical Limited**

# Notes to the financial statements

For the year ended 30 September 2011

## 3. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting)

	2011	2010
	£	£
Amortisation of goodwill	185,521	193,577
Depreciation of tangible fixed assets		
- owned by the company	84,621	63,707
Auditors' remuneration	15,900	19,000
Operating lease rentals		
- other	263,288	242,449
Difference on foreign exchange	99,734	(12,905)
Amortisation of customer lists	65,000	65,000
	<u>1,014,064</u>	<u>580,028</u>

## 4. Staff costs

Staff costs were as follows

	2011	2010
	£	£
Wages and salaries	1,685,658	1,479,207
Social security costs	190,969	157,435
Other pension costs	51,010	42,089
	<u>1,927,637</u>	<u>1,678,731</u>

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

	2011	2010
	No	No
Number of distribution staff	54	43
Number of administration staff	6	6
	<u>60</u>	<u>49</u>

## 5. Director's remuneration

No emoluments were paid to the director by the company during the year (2010 £nil)

**Rochester Medical Limited**

# Notes to the financial statements

For the year ended 30 September 2011

## 6. Interest payable

	2011 £	2010 £
On loans from group undertakings	<u>26,018</u>	<u>28,776</u>

## 7. Taxation

	2011 £	2010 £
<b>Analysis of tax charge/(credit) in the year</b>		
UK corporation tax charge/(credit) on profit/loss for the year	642	(9,500)
Adjustments in respect of prior periods	<u>11,227</u>	<u>(11,312)</u>
<b>Tax on profit/loss on ordinary activities</b>	<u>11,869</u>	<u>(20,812)</u>

### Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 21% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit/loss on ordinary activities before tax	<u>39,743</u>	<u>(354,671)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2010 - 28%)	8,346	(99,308)
<b>Effects of</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,777	17,204
Capital allowances for year in excess of depreciation	(2,888)	23,150
Utilisation of tax losses	(24,483)	45,790
Adjustments to tax charge in respect of prior periods	<u>11,227</u>	<u>(11,312)</u>
Short term timing difference leading to an increase (decrease) in taxation	-	(836)
Non-taxable income	(658)	-
Changes in provisions leading to an increase (decrease) in the tax charge	(577)	4,500
Other differences leading to an increase (decrease) in the tax charge	<u>14,125</u>	<u>-</u>
<b>Current tax charge/(credit) for the year (see note above)</b>	<u>11,869</u>	<u>(20,812)</u>

# Notes to the financial statements

For the year ended 30 September 2011

## 7. Taxation (continued)

### Factors that may affect future tax charges

The company has estimated losses of £1,309,271 (2010 £1,425,856) available for carry forward against future trading profits. A deferred tax asset of £275,047 (2010 £443,347), comprising £261,854 (2010 £384,981) attributable to tax losses carried forward and an amount of £13,193 (2010 £58,366) attributable to timing differences between the capital allowances and depreciation of fixed assets and other short term differences, has not been recognised because the directors cannot foresee with reasonable certainty when the asset will be recovered.

## 8. Intangible fixed assets

	Customer lists £	Goodwill £	Total £
<b>Cost</b>			
At 1 October 2010	1,300,000	2,903,651	4,203,651
Impact of reduction in purchase consideration	-	(241,641)	(241,641)
At 30 September 2011	1,300,000	2,662,010	3,962,010
<b>Amortisation</b>			
At 1 October 2010	281,667	838,873	1,120,540
Charge for the year	65,000	185,521	250,521
At 30 September 2011	346,667	1,024,394	1,371,061
<b>Net book value</b>			
At 30 September 2011	953,333	1,637,616	2,590,949
At 30 September 2010	1,018,333	2,064,778	3,083,111

**Rochester Medical Limited**

**Notes to the financial statements**

For the year ended 30 September 2011

**9. Tangible fixed assets**

	Freehold property £	Plant & machinery £	Total £
<b>Cost</b>			
At 1 October 2010	700,467	339,928	1,040,395
Additions	25,787	42,369	68,156
At 30 September 2011	726,254	382,297	1,108,551
<b>Depreciation</b>			
At 1 October 2010	67,933	104,895	172,828
Charge for the year	17,390	67,231	84,621
At 30 September 2011	85,323	172,126	257,449
<b>Net book value</b>			
At 30 September 2011	640,931	210,171	851,102
At 30 September 2010	632,534	235,033	867,567

Included in land and building is freehold land at a cost of £218,500 (2010 £218,500) which is not depreciated

**10. Stocks**

	2011 £	2010 £
Stock	1,805,755	1,612,518

**11. Debtors**

	2011 £	2010 £
Trade debtors	1,757,998	2,149,843
Corporation tax repayable	-	20,812
Prepayments and accrued income	47,918	44,959
	1,805,916	2,215,614



**Rochester Medical Limited**

## Notes to the financial statements

For the year ended 30 September 2011

**12. Creditors:**

**Amounts falling due within one year**

	2011	2010
	£	£
Trade creditors	330,840	219,217
Amounts owed to group undertakings	821,976	904,088
Corporation tax	642	-
Social security and other taxes	326,588	227,549
Accruals and deferred income	140,382	167,545
	<u>1,620,428</u>	<u>1,518,399</u>

**13. Creditors:**

**Amounts falling due after more than one year**

	2011	2010
	£	£
Amounts owed to group undertakings	<u>6,100,601</u>	<u>6,298,041</u>

**14. Share based payments**

Equity-settled share-based payments

Two employees of the company participate in a share option scheme operated by Rochester Medical Corporation, the parent company. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. If the option remains unexercised after a period of 10 years from the date of the grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

**Rochester Medical Limited**

## Notes to the financial statements

For the year ended 30 September 2011

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows

	2011 No	2011 WAEP (\$)	2010 No	2010 WAEP (\$)
Outstanding at the beginning of the year	85,000	11	65,000	10
Granted during the year	15,000	11	20,000	12
Outstanding at the end of the year	100,000	11	85,000	11
Exercisable at the end of the year	52,500	9	38,750	9

The options outstanding at 30 September 2011 had a weighted average exercise price of \$11 and a weighted average of remaining contractual life of 10 years. The weighted average fair value of the options granted in the year was \$165,000 (2010: \$245,400).

The Black Scholes option pricing model was used to estimate the fair value of stock-based awards with the following weighted average assumptions for the years ended 30 September 2010 and 2011:

	2011 £	2010 £
Dividend yield - %	-	-
Expected volatility - %	47	48
Expected life - years	9	8
Risk free rate - %	3	3
Weighted average share price - \$	6	7

The risk free rate is based on a treasury instrument whose term is consistent with the expected life of the Company's stock options. The expected volatility, holding period, and forfeitures of options are based on historical experience of the parent company.

The Black Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions. Because the Company's employee share options have characteristics significantly different from those traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of fair value of its employees share options.

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**Rochester Medical Limited****Notes to the financial statements****For the year ended 30 September 2011**

The share option charge recognised within these financial statements in respect of share options granted to UK employees is £62,035 (2010 £71,942)

**15. Share capital**

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

**16. Reserves**

	Other reserves £	Profit and loss account £
At 1 October 2010	4,495,365	(1,937,670)
Profit for the year		27,874
Share option re-charge	62,035	
At 30 September 2011	<u>4,557,400</u>	<u>(1,909,796)</u>

**17. Reconciliation of movement in shareholders' funds**

	2011 £	2010 £
Opening shareholders' funds	2,557,696	2,819,613
Profit/(loss) for the year	27,874	(333,859)
Share option re-charge	62,035	71,942
Closing shareholders' funds	<u>2,647,605</u>	<u>2,557,696</u>

**18. Pension commitments**

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contribution payable by the company to the scheme and amounted to £51,010 (2010 £42,089)

## Notes to the financial statements

For the year ended 30 September 2011

### 19. Operating lease commitments

At 30 September 2011 the Company had annual commitments under non-cancellable operating leases as follows

	2011 £	2010 £
Expiry date		
Within 1 year	161,280	20,636
Between 2 and 5 years	106,820	172,060

### 20. Related party transactions

The company is related to Rochester Medical Corporation by virtue of that company being the parent company. The company has taken advantage of the exemption under Financial Reporting Standard No 8 "Related Party Transaction" from disclosing transactions with Rochester Medical Corporation on the grounds that it is a wholly owned subsidiary.

### 21. Ultimate parent undertaking and controlling party

The company is controlled by its parent company Rochester Medical Corporation, which has interests of 100% (2010: 100%) of the issued share capital, a company that is incorporated in the United States of America. In the opinion of the director this company is considered to be the ultimate parent company and ultimate controlling party.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Rochester Medical Corporation. Consolidated accounts are available from Rochester Medical Corporation, Rochester Medical Drive, Stewartville, MN 55976, USA.