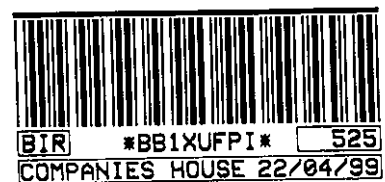


**Medequip Sub 1 Limited (formerly Sunrise  
Medical Limited)**

**Directors' report and financial statements**

30 June 1998

Registered number 933605



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 June 1998.

### **Principal activities**

The principal activity of the company was the manufacture, distribution and rental of mobility and healthcare products. On 30 March 1998, the company transferred its trade, assets and undertaking, other than those relating to the Parker Bath division of the company, to its immediate parent undertaking for a consideration equal to the book value of the assets transferred.

On 22 June 1998, the company transferred its remaining Parker Bath trade to a fellow subsidiary undertaking for a consideration equal to the book value of the assets transferred and the company ceased to trade.

### **Change of name**

On 31 March 1998, the company changed its name from Sunrise Medical Limited to Parker Bath Limited and on 23 June 1998, it changed its name to Medequip Sub 1 Limited.

### **Business review**

The results for the year are as follows:

	1998 £000	1997 £000
Turnover	65,572	45,089
(Loss)/profit on ordinary activities before taxation	(2,269)	733

### **Employees**

The directors recognise the important role played by the company's employees in the achievement of its business goals. Recruitment, development, training and retention of employees are all essential requisites, combined with enlightened personnel policies.

The company recognises the benefits of keeping employees informed of the progress of its business and providing them with information on matters concerning them as employees. Various methods of providing information are used within the company including consultative and discussion meetings between management and staff and the distribution of internal circulars and newsletters.

It is the company's policy to give full and fair consideration to the recruitment of disabled people for vacancies that they are able to fill and, as far as possible, maintain the employment of existing employees who become disabled. Appropriate training is given so as to ensure suitable opportunities exist for each disabled person.

### **Research and development**

The company incurred expenditure in the field of research and development in order to update and improve its products.

### **Dividend**

The directors do not recommend the payment of a dividend in respect of the year (1997: £Nil).

## **Directors' report** *(continued)*

### **Directors**

The directors who served during the year and afterwards were:

RH Chandler (resigned 18 June 1998)  
B Payne  
P Riley  
J Cobbledick (resigned 7 November 1997)  
ID Burrows (resigned 7 November 1997)  
DL Hull (resigned 18 June 1998)  
L De Ruiter (appointed 7 November 1997, resigned 29 May 1998)

### **Directors' interests**

Mr B Payne and Mr P Riley are directors of the immediate parent company, Sunrise Medical Limited, and their interests in the shares of group companies are set out in the accounts of that company.

### **Auditors**

In accordance with Section 385 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.

Approved by the board of directors on 30 November 1998 and signed on its behalf by:



P Riley  
*Secretary*

High Street  
Wollaston  
Stourbridge  
West Midlands  
DY8 4PS

## **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 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 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.



2 Cornwall Street  
Birmingham  
B3 2DL

## **Report of the auditors to the members of Medequip Sub 1 Limited**

We have audited the financial statements on pages 5 to 18.

### **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 group'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 company's affairs as at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature of the KPMG firm, written in a stylized, cursive script.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

30 November 1998

**Profit and loss account**  
*for the year ended 30 June 1998*

	<i>Note</i>	1998 £000	1997 £000
<b>Turnover</b>	2	65,572	45,089
Cost of sales		(50,946)	(34,525)
<b>Gross profit</b>		<hr/> 14,626	<hr/> 10,564
Distribution costs		(7,220)	(4,796)
Administrative expenses		(6,481)	(3,412)
Amortisation of goodwill		(1,461)	-
<b>Operating (loss)/profit</b>		<hr/> (536)	<hr/> 2,356
Profit/(loss) on disposal of tangible fixed assets		22	(378)
Interest receivable and similar income	4	19	236
Interest payable and similar charges	5	(1,774)	(1,481)
<b>(Loss)/profit on ordinary activities before taxation</b>		<hr/> (2,269)	<hr/> 733
Tax on (loss)/profit on ordinary activities	8	1,341	(443)
<b>Retained (loss)/profit for the financial year</b>		<hr/> (928)	<hr/> 290
Retained profit brought forward		13,206	12,916
<b>Retained profit carried forward</b>		<hr/> <hr/> 12,278	<hr/> <hr/> 13,206

All of the above results relate to discontinued activities within the company, but continuing activities within its group.

There is no material difference between the results as disclosed in the profit and loss account and the results calculated on an unmodified historical cost basis.

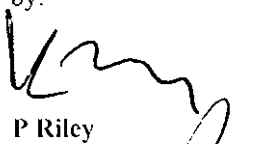
**Statement of total recognised gains and losses**

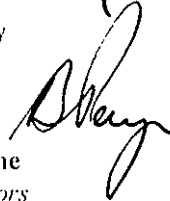
There are no recognised gains or losses other than the results for the year reported above.

**Balance sheet**  
*at 30 June 1998*

	<i>Note</i>	<b>1998</b>	<b>1997</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Intangible assets	9	-	24,102
Tangible assets	10	-	16,301
Investments	11	-	4,929
		<hr/>	<hr/>
		-	45,332
<b>Current assets</b>			
Stocks	12	-	10,899
Debtors	13	17,387	23,420
Cash at bank and in hand		-	74
		<hr/>	<hr/>
		17,387	34,393
<b>Creditors: Amounts falling due within one year</b>	14	-	(43,495)
		<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>		17,387	(9,102)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		17,387	36,230
<b>Creditors: Amounts falling due after more than one year</b>	15	-	(17,101)
<b>Provisions for liabilities and charges</b>	16	-	(814)
		<hr/>	<hr/>
<b>Net assets</b>		17,387	18,315
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	17	197	197
Share premium		4,912	4,912
Profit and loss account		12,278	13,206
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	18	17,387	18,315
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30 November 1998 and signed on its behalf by:

  
P Riley

  
B Payne  
*Directors*



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the group's financial statements:

#### *Basis of accounting*

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules and with the requirements of the Companies Act 1985.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

No cash flow statement has been presented as the company is a wholly owned subsidiary of Sunrise Medical Limited whose consolidated financial statements include a consolidated cash flow statement dealing with the cash flows of the group.

#### *Depreciation*

Depreciation is provided so as to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives. The following annual rates on the straight line method are in force:

Freehold buildings	2½%
Leasehold land and buildings	Over the lease term
Plant and machinery	15-33%
Office equipment	20-33%
Fixtures and fittings	15%
Motor vehicles	25%
Tooling	20-33%
Equipment for rental	10-50% (formerly 20-50%)

Freehold land is not depreciated.

The asset lives of certain medical equipment held for rental have been reassessed during the year in the light of actual experience as explained in note 6 to the accounts.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes production overheads and the attributable proportion of indirect overhead expenses based on a normal level of activity.

#### *Warranty costs*

Warranty costs are charged to the profit and loss account as incurred and provision is made for further warranty claims anticipated at the year end in respect of sales during the year.

#### *Deferred taxation*

Deferred taxation is provided using the liability method in respect of the taxation effect of timing differences to the extent that it is probable that assets/liabilities will crystallise in the foreseeable future.

#### *Research and development*

Expenditure on research and development is written off against profits in the year in which it is incurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign exchange*

Transactions denominated in foreign currencies are translated into sterling and recorded at the rates of exchange ruling at the dates of the transactions. Balances denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

#### *Leasing and hire purchase*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account in the year in which they are incurred.

Rentals receivable as lessor under operating leases are included in turnover for the year on an accruals basis.

#### *Pension costs*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

### 2 Turnover

Turnover represents amounts invoiced excluding value added tax and trade discounts. All of the company's turnover derives from its principal activity.

The analysis of turnover by geographical destination is as follows:

	1998 £000	1997 £000
United Kingdom	37,020	29,370
Rest of Europe	23,631	14,371
Rest of World	4,921	1,348
	<hr/> 65,572 <hr/>	<hr/> 45,089 <hr/>

## Notes (continued)

### 3 Staff numbers and costs

The average number of employees (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1998	1997
Management and administration	273	195
Production	642	304
	<hr/>	<hr/>
	915	499
	<hr/>	<hr/>

The aggregate payroll costs of these employees were as follows:

	£000	£000
Wages and salaries	14,853	8,346
Social security costs	1,336	817
Other pension costs (note 21)	108	132
	<hr/>	<hr/>
	16,297	9,295
	<hr/>	<hr/>

### 4 Interest receivable and similar income

	1998 £000	1997 £000
Bank interest receivable	19	20
On loans to parent company and fellow subsidiary undertakings	-	209
Other interest receivable	-	7
	<hr/>	<hr/>
	19	236
	<hr/>	<hr/>

### 5 Interest payable and similar charges

	1998 £000	1997 £000
On bank loans and overdrafts	5	9
On loans from parent company and fellow subsidiaries	1,403	1,127
Other interest payable	366	345
	<hr/>	<hr/>
	1,774	1,481
	<hr/>	<hr/>

## Notes (continued)

### 6 Operating (loss)/profit

	1998 £000	1997 £000
<i>Operating (loss)/profit is stated</i>		
<i>after charging</i>		
Auditors' remuneration and expenses		
Audit fees	57	20
Other	62	75
Depreciation of tangible fixed assets:		
Owned	2,058	1,210
Leased	36	-
Release of backlog depreciation (see below)	(1,245)	-
Operating leases:		
Plant and machinery	773	453
Land and buildings	326	-
Research and development expenditure	1,774	1,364
Reorganisation costs	-	368
Exchange differences	41	(310)
Rents receivable	(1,857)	-
	<u>          </u>	<u>          </u>

During the year, the asset lives of certain medical equipment held for rental were reassessed in the light of actual experience in recent years. Such assets are now being written off over 10 years, rather than over 3 to 5 years. The backlog depreciation as a result of this reassessment previously charged on such assets still in use has been credited to the profit and loss account in the current year and will be charged to the profit and loss account over the remaining useful lives of the assets concerned.

### 7 Directors' emoluments

	1998 £000	1997 £000
Emoluments	393	391
Company contributions to money purchase pension schemes	9	10
	<u>          </u>	<u>          </u>
	402	401
	<u>          </u>	<u>          </u>
	Number	Number
Number of directors who are:		
Members of money purchase pension schemes	4	4
	<u>          </u>	<u>          </u>
	£000	£000
Highest paid director:		
Total emoluments excluding pension contributions	118	108
Pension contributions to money purchase schemes	-	-
	<u>          </u>	<u>          </u>
	118	108
	<u>          </u>	<u>          </u>

## Notes (continued)

### 8 Taxation on (loss)/profit on ordinary activities

The taxation charge based on the (loss)/profit for the year is made up as follows:

	1998 £000	1997 £000
UK corporation tax at 30% (1997: 32.5%)	-	301
Deferred taxation	(1,252)	207
Adjustments in respect of prior periods:		
Corporation tax	14	(38)
Deferred taxation	(103)	(27)
	<hr/>	<hr/>
	(1,341)	443
	<hr/>	<hr/>

### 9 Intangible fixed assets

#### *Cost*

At beginning of year	24,102
Transfers to group undertakings	(24,102)
	<hr/>

At end of year

-

#### *Amortisation*

At beginning of year	-
Charged in year	1,461
Transfers to group undertakings	(1,461)
	<hr/>

At end of year

-

#### *Net book value*

At 30 June 1998

-

At 30 June 1997

24,102

The cumulative amount of goodwill resulting from earlier acquisitions which has been written off against reserves is £659,000 (1997: £659,000). This amount is net of goodwill attributable to businesses disposed of prior to the balance sheet date.

## Notes (continued)

### 10 Tangible fixed assets

	Freehold land and buildings £000	Short Leasehold land and buildings £000	Motor vehicles, plant and machinery £000	Fixtures, fittings, tools and office equipment £000	Total £000
<b>Cost</b>					
At beginning of year	9,372	501	5,113	6,494	21,480
Reclassifications	170	116	7,412	1,834	9,532
Additions	339	-	962	1,380	2,681
Disposals	(2,941)	(95)	(775)	(1,151)	(4,962)
Transfer to group undertakings	(6,940)	(522)	(12,712)	(8,557)	(28,731)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At beginning of year	577	22	1,276	3,304	5,179
Reclassifications	166	127	7,606	1,633	9,532
Charge for the year	114	26	(273)	982	849
Eliminated on disposals	(557)	(25)	(674)	(780)	(2,036)
Transfer to group undertakings	(300)	(150)	(7,935)	(5,139)	(13,524)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 30 June 1998	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1997	8,795	479	3,837	3,190	16,301
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

#### Capital commitments

Commitments for capital expenditure at the year end were as follows:

	1998 £000	1997 £000
Contracted for but not provided in the financial statements	-	432
	<hr/>	<hr/>

## Notes (continued)

### 11 Investments

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning of year	6,195
Transfer to parent undertaking	(6,195)
	<hr/>
At end of year	-
	<hr/>
<i>Amounts written off</i>	
At beginning of year	1,266
Transfer to parent undertaking	(1,266)
	<hr/>
At end of year	-
	<hr/>
<i>Net book value</i>	
At 30 June 1998	-
	<hr/>
At 30 June 1997	4,929
	<hr/>

On 30 March 1998 the company transferred its investments in subsidiary undertakings, other than that in Parker Bath Company Limited, to its immediate parent undertaking for a consideration equal to the book value of the investments. This remaining investment was transferred to its intermediate holding company on 19 June 1998 for a consideration equal to the book value of the investment.

### 12 Stocks

	1998 £000	1997 £000
Raw materials and consumables	-	5,958
Work in progress	-	2,620
Finished goods	-	2,321
	<hr/>	<hr/>
	-	10,899
	<hr/>	<hr/>

**Notes (continued)**

**13 Debtors**

	1998 £000	1997 £000
Trade debtors	-	13,135
Amounts owed by group undertakings:		
Parent company and fellow subsidiary undertakings	17,387	7,947
Other debtors	-	1,559
Prepayments and accrued income	-	779
	<hr/> 17,387	<hr/> 23,420
	<hr/> <hr/>	<hr/> <hr/>

**14 Creditors: amounts falling due within one year**

	1998 £000	1997 £000
Loan notes (note 15)	-	1,007
Bank loans and overdrafts	-	950
Obligations under hire purchase and finance leases	-	69
Payments on account	-	70
Trade creditors	-	9,920
Amounts owed to group undertakings:		
Parent company and fellow subsidiary undertakings	-	12,098
Subsidiary undertakings	-	11,879
Other creditors including taxation and social security	-	1,993
Accruals	-	5,509
	<hr/> -	<hr/> 43,495
	<hr/> <hr/>	<hr/> <hr/>
Other creditors including taxation and social security comprised:		
Corporation tax	-	1,010
Other taxation and social security	-	491
Other creditors	-	492
	<hr/> -	<hr/> 1,993
	<hr/> <hr/>	<hr/> <hr/>



## Notes (continued)

### 15 Creditors: Amounts falling due after more than one year

	1998 £000	1997 £000
Loan notes (see below)	-	3,021
ECSC Loan	-	2,500
Obligations under hire purchase and finance leases	-	30
Amounts owed to group undertakings:	-	
Parent and fellow subsidiary undertakings	-	11,550
	<hr/>	<hr/>
	-	17,101
	<hr/>	<hr/>

The loan notes at 30 June 1997, £4 million of which carried interest at 8% per annum and the balance at 7% per annum, were repayable by equal annual instalments falling due on the anniversary of the acquisitions to which they related. They fell due as follows:

	1998 £000	1997 £000
Within one year	-	1,007
In two to five years inclusive	-	3,021
	<hr/>	<hr/>
	-	4,028
	<hr/>	<hr/>

Hire purchase and finance lease obligations fell due as follows:

	1998 £000	1997 £000
Within one to two years	-	24
Within two to five years	-	6
	<hr/>	<hr/>
	-	30
	<hr/>	<hr/>

The ECSC loan of £2.5 million was repayable in one instalment on 24 May 2002. Interest is charged at six month LIBOR plus 1%. An interest rebate is available from the ECSC payable over the term of the loan. The amount of rebate receivable will be dependent upon job creation. No credit has been taken for rebates received to date.

The company's loan, hire purchase and group obligations as at 30 March 1998 were transferred to its immediate parent undertaking in conjunction with the transfer of the company's trade and assets.

## Notes (continued)

### 15 Creditors: Amounts falling due after more than one year (continued)

The amounts owed to group undertakings which fall due after more than one year included a group loan at 30 June 1997 of £11,261,000 which was repayable by annual instalments of £1,407,700 and carried interest at 8% per annum. The remaining group creditors of £288,525 carried interest at 9% per annum. The amounts fell due as follows:

	1998 £000	1997 £000
Within two to five years inclusive	-	5,919
After more than five years	-	5,631
	<hr/>	<hr/>
	-	11,550
	<hr/>	<hr/>

The instalments falling due within one year are included within amounts due to parent and fellow subsidiaries disclosed in note 14 to the financial statements.

### 16 Provisions for liabilities and charges

	Deferred taxation £000	Provision for warranty costs £000	Total £000
Balance at beginning of year	673	141	814
Credit for the period	(1,355)	-	(1,355)
Transfer to group undertakings	682	(141)	541
	<hr/>	<hr/>	<hr/>
Balance at end of year	-	-	-
	<hr/>	<hr/>	<hr/>

The amount provided for deferred taxation, calculated on the liability method at 31% was as follows:

	1998 £000	1997 £000
Accelerated capital allowances	-	774
Other timing differences	-	(101)
	<hr/>	<hr/>
	-	673
	<hr/>	<hr/>

## Notes (continued)

### 17 Share capital

	1998 £000	1997 £000
<i>Authorised:</i>		
450,000 ordinary shares of £1 each	450	450
50,000 deferred shares of £1 each	50	50
	<hr/> 500	<hr/> 500
	<hr/> <hr/>	<hr/> <hr/>
<i>Allotted, called up and fully paid:</i>		
146,858 ordinary shares of £1 each	147	147
50,000 deferred shares of £1 each	50	50
	<hr/> 197	<hr/> 197
	<hr/> <hr/>	<hr/> <hr/>

### 18 Reconciliation of movements in shareholders' funds

	1998 £000	1997 £000
(Loss)/profit for the financial year	(928)	290
New share capital	-	27
	<hr/> (928)	<hr/> 317
Net increase in shareholders' funds	(928)	317
Equity shareholders' funds at beginning of year	18,315	17,998
	<hr/> 17,387	<hr/> 18,315
	<hr/> <hr/>	<hr/> <hr/>

### 19 Contingencies

The company, together with certain other UK group companies has entered into cross guarantees with Barclays Bank PLC in respect of the borrowings of the group companies concerned.

### 20 Obligations under operating leases

The company had the following annual commitments under operating leases which expired as follows:

	1998 Land and buildings £000	Plant and machinery £000	1997 Land and buildings £000	Plant and machinery £000
Within one year	-	-	52	120
Within two to five years inclusive	-	-	466	181
Over five years	-	-	230	28
	<hr/> -	<hr/> -	<hr/> 748	<hr/> 329
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## **Notes (continued)**

### **21 Pension fund**

The company operated a defined contribution pension scheme. The total pension costs charged to the profit and loss account for the year amounted to £108,000 (1997: £132,000). The amount accrued at the end of the year was £Nil (1997: £Nil).

The group operates a small defined benefit pension scheme for certain employees, providing benefits based on pensionable pay. The assets of the scheme are held separately from the group, being invested with insurance companies. Contributions to the scheme were charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. Further details are given in the accounts of the parent company.

### **22 Ultimate parent company**

The company's ultimate parent company is Sunrise Medical Inc, a company incorporated in the United States of America and its intermediate parent company is Sunrise Medical Limited, a company registered in England and Wales.

These financial statements have been consolidated in the financial statements of Sunrise Medical Limited, a company registered in England and Wales and in the financial statements of Sunrise Medical Inc, a company incorporated in the United States of America. Copies of these financial statements may be obtained from: High Street, Wollaston, Stourbridge, West Midlands DY8 4PS.

### **23 Related party transactions**

The company is a wholly owned subsidiary and is therefore exempt from disclosure requirements regarding related party transactions.