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HUNTLEIGH MEDICAL LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended
31 DECEMBER 1987

HUNTLEIGH MEDICAL LIMITED

REPORT OF THE DIRECTORS for the year ended 31 DECEMBER 1987

The directors present their report and audited accounts for the year ended 31 December 1987.

PRINCIPAL ACTIVITIES

The company continues to develop, manufacture and distribute electromedical equipment.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During 1987 the company relocated all its production facilities for electro pneumatic products in Luton from two separate units to a new factory. Whilst this will enable production processes to be improved and provide space for expansion in 1988, the move did incur a significant cost which has affected the profits for 1987. The weakness of the US dollar has also seriously affected the company's profitability and considerable expenditure has been incurred in marketing and development which is all intended to increase the company's penetration of Home and European markets. Five new products are ready to be launched in the first half on 1988.

RESEARCH AND DEVELOPMENT ACTIVITIES

The company continues to invest in product development, with certain of the projects being funded in part under Government grant schemes.

DIVIDENDS

The directors do not recommend payment of a dividend for the year ended 31 December 1987.

CHANGES IN FIXED ASSETS

Movements in fixed assets during the year are shown in notes 9 and 11 to the accounts.

DIRECTORS

The members of the Board during the year were:-

R. Schild
P.C. Epstein
B.C. Allen
J.A.B. Kottan

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

None of the directors had an interest in any shares, transactions or arrangements which requires disclosure in this report. Their interest in the company's ultimate holding company, Huntleigh Technology plc, are shown in that company's directors' report.

HUNTLEIGH MEDICAL LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 DECEMBER 1987
continued

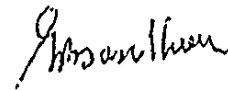
AUDITORS

Binder Hamlyn offer themselves for re-appointment in accordance with Section 384(1) Companies Act 1985.

310-312 Dallow Road
Luton
Beds LU1 1SS

22 April 1988

By Order of the Board,



Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
HUNTLEIGH MEDICAL LIMITED

We have audited the accounts on pages 4 to 16 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared on the basis of the accounting policies set out on pages 7 and 8, give a true and fair view of the state of affairs of the company at 31 December 1987 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

22 April 1988


Chartered Accountants

HUNTLEIGH MEDICAL LIMITED

PROFIT AND LOSS ACCOUNT
for year ended 31 December 1987

	<u>Notes</u>	<u>1987</u> £	<u>1986</u> £
TURNOVER	2	4,622,919	4,531,492
Cost of sales		<u>3,194,042</u>	<u>2,921,596</u>
GROSS PROFIT		1,428,877	1,609,896
Distribution costs		822,741	635,320
Administrative expenses		<u>680,354</u>	<u>406,141</u>
Operating (loss)/profit		(74,218)	568,435
Other operating income		16,701	88,393
Interest payable and similar charges		<u>47,954</u>	<u>28,275</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(105,471)	628,553
Tax (credit)/charge on (loss)/profit on ordinary activities	6	<u>(43,551)</u>	<u>228,854</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND BEFORE EXTRAORDINARY ITEM		<u>(61,920)</u>	<u>399,699</u>
EXTRAORDINARY CHARGE	7	<u>61,970</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(123,890)	399,699
Proposed dividend	8	<u>-</u>	<u>400,000</u>
ATTRIBUTABLE (LOSS)/RETAINED PROFIT		(123,890)	(301)
BALANCE BROUGHT FORWARD		<u>692</u>	<u>993</u>
BALANCE CARRIED FORWARD		£(123,198)	£692
		~~~~~	~~~~~

# HUNTLEIGH MEDICAL LIMITED

## BALANCE SHEET at 31 DECEMBER 1987

	<u>Notes</u>	<u>1987</u> £	<u>1986</u> £
<b>FIXED ASSETS</b>			
Tangible assets	9	1,911,634	466,571
Investments	11	<u>2</u>	<u>2</u>
		1,911,636	466,573
<b>CURRENT ASSETS</b>			
Stocks	12	1,012,158	953,342
Debtors	13	1,439,410	1,806,769
Cash at bank and in hand		<u>219,144</u>	<u>42,656</u>
		2,670,712	2,802,767
CREDITORS: amounts falling due within one year	14	<u>2,330,201</u>	<u>2,496,869</u>
NET CURRENT ASSETS		340,511	305,898
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		2,252,147	772,471
CREDITORS: amounts falling due after more than one year	15	1,872,277	676,277
PROVISION FOR LIABILITIES AND CHARGES	17	<u>94,813</u>	<u>94,502</u>
		£285,057	£1,692
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	1,000	1,000
Revaluation reserve	21	407,255	-
Profit and loss account		<u>(123,198)</u>	<u>692</u>
		£285,057	£1,692

These accounts were approved by the Board on 22 April 1988

 Directors

HUNTLEIGH MEDICAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
for the year ended 31 DECEMBER 1987

	<u>1987</u> £	<u>1986</u> £
<b>SOURCE OF FUNDS</b>		
(Loss)/Profit on ordinary activities before taxation	(105,471)	628,553
Adjustments for items not involving the movement of funds:		
Depreciation	132,316	110,142
Loss on sale of fixed assets	<u>          </u>	<u>2,868</u>
<b>TOTAL GENERATED FROM OPERATIONS</b>	26,845	741,563
Other sources:		
Proceeds of fixed asset disposals	17,723	14,896
Long term loan	<u>921,995</u>	<u>          </u>
<b>TOTAL SOURCE OF FUNDS</b>	966,563	756,459
<b>APPLICATION OF FUNDS</b>		
Purchase of fixed assets	1,249,817	80,688
Corporation tax paid	72,344	61,849
Dividend paid	<u>400,000</u>	<u>80,000</u>
	£(755,598)	£533,922
	=====	=====
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Stocks	58,816	(52,639)
Debtors	(413,750)	45,099
Creditors (net of taxation, dividends and term loan)	<u>(552,782)</u>	<u>52,007</u>
	(907,716)	44,467
<b>Increase/(decrease) in net liquid funds</b>	<u>152,118</u>	<u>489,455</u>
	£(755,598)	£533,922
	=====	=====

# HUNTLEIGH MEDICAL LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 1987

### 1. ACCOUNTING POLICIES

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

#### Accounting basis

The accounts are prepared under the historical cost convention, as modified by the revaluation of land and buildings.

#### Depreciation

Depreciation is provided on fixed assets in equal annual instalments over the following estimated lives:

Freehold buildings	-	50 years
Leashold property	-	period of the leases
Plant and equipment	-	up to a maximum of 10 years
Vehicles	-	4 years

#### Development

Expenditure on development is written off in the year in which it is incurred.

#### Stocks and work in progress

Stocks and work in progress are valued on a first in first out basis at the lower of cost, being direct cost plus appropriate overheads, and net realisable value.

#### Deferred taxation

Provision is made for deferred taxation, using the liability method, where it is probable that a taxation liability will arise.

#### Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. The resultant assets and liabilities are translated into sterling at rates of exchange applicable at 31 December.

#### Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of VAT.



# HUNTLEIGH MEDICAL LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 1987 (continued)

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### Government grants

Non-capital grants are dealt with in the profit and loss account in the period they become receivable.

### Pension scheme arrangements

The company is a member of the Huntleigh Technology plc group defined benefit pension scheme which is contributory, externally funded and contracted out of the state scheme. Payments made to the fund and charged annually in these accounts as part of employment costs comprise current service contributions and back service contributions. The fund is valued every three years by a professionally qualified independent actuary on both a going concern and a discontinuance basis, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

### Finance and operating leases

The rentals payable for assets held under operating leases are charged to the profit and loss account as they are incurred. There are no assets held under finance leases.

## 2. SEGMENT INFORMATION

	<u>Turnover</u>		<u>(Loss)/Profit on ordinary activities before taxation</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
Class of business:				
Medical equipment	£4,622,919	£4,531,492	£(105,471)	£628,553
	=====	=====	=====	=====
Geographical markets:				
United Kingdom	670,858	694,588		
Europe	1,767,640	1,643,773		
United States	1,224,626	1,511,008		
Rest of World	<u>959,795</u>	<u>682,123</u>		
	£4,622,919	£4,531,492		
	=====	=====		

HUNTLEIGH MEDICAL LIMITED

NOTES TO THE ACCOUNTS  
for the year ended 31 DECEMBER 1987  
(continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1987</u> £	<u>1986</u> £
After charging:		
Directors' emoluments (note 4)	33,761	32,957
Depreciation	141,258	110,142
Auditors' remuneration	13,900	12,000
Interest payable on bank and other borrowings:		
Repayable within five years	25,464	30,345
Repayable after five years	22,500	-
Operating lease rentals:		
Buildings	35,413	39,040
Other	34,414	18,597
Foreign exchange loss	14,264	-
	=====	=====
After crediting:		
Revenue-based grants	£12,504	£88,393
	=====	=====

4. DIRECTORS' EMOLUMENTS	<u>1987</u> £	<u>1986</u> £
Remuneration as executives	28,981	30,359
Pension contributions	<u>2,780</u>	<u>2,598</u>
	£31,761	£32,957
	=====	=====

Directors' remuneration, excluding pension contributions, include the following:

	<u>1987</u> £	<u>1986</u> £
Chairman	-	-
Highest paid director	£28,981	£30,359
	=====	=====

Other directors' fees and remuneration fell within the following band:

	<u>Number</u>	<u>Number</u>
£0 - £5,000	2	2

HUNTLEIGH MEDICAL LIMITED

NOTES TO THE ACCOUNTS  
for the year ended 31 DECEMBER 1987  
(continued)

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## 5. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company (including directors) during the year was:

	<u>1987</u>	<u>1986</u>
Category:		
Direct workers	58	56
Indirect workers	11	9
Managerial and clerical staff	<u>37</u>	<u>38</u>
	106	103
	=====	=====

Their total remuneration was:

	£	£
Wages and salaries	786,619	729,598
Social security costs	82,059	73,913
Other pension costs	<u>10,074</u>	<u>10,894</u>
	£878,752	£814,405
	=====	=====

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1987</u>	<u>1986</u>
	£	£
UK corporation tax (repayable)/payable at 35.00% (1986 36.25%)	(46,391)	166,103
Group relief payable	-	4,127
Consortium relief payable	-	72,634
Deferred taxation (note 17)	<u>311</u>	<u>(14,010)</u>
	(46,080)	228,854
Prior year adjustments	<u>2,529</u>	-
	£(43,551)	£228,854
	=====	=====

# HUNTLEIGH MEDICAL LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 1987 (continued)

### 7. EXTRAORDINARY CHARGE

	<u>1987</u> £	<u>1986</u> £
Provision for loss on disposal of lease of 20 Bilton Way	£51,970 ~~~~~	- ~~~~~

The above amount represents the net book value of leasehold improvements to premises which the company vacated upon moving to its new freehold building in Luton.

### 8. DIVIDENDS

	<u>1987</u>	<u>1986</u>
Proposed dividend of £ nil (1986: £400) per share	£ - ~~~~~	£400,000 ~~~~~

### 9. TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u> £	<u>Short term leasehold property</u> £	<u>Plant and machinery</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost:					
At 1 January 1987	~	143,996	692,428	46,433	882,857
Additions	936,087	~	290,739	22,991	1,249,817
Revaluation	407,255	~	~	~	407,255
Intra-group transfers	~	~	~	(12,639)	(12,639)
Disposals	~	(143,996)	~	(5,084)	(149,080)
At 31 December 1987	<u>1,343,342</u>	<u>~</u>	<u>983,167</u>	<u>51,701</u>	<u>2,378,210</u>
Depreciation:					
At 1 January 1987		71,148	323,527	21,611	416,286
Charge for the year	1,097	10,878	113,784	7,499	141,258
Intra-group transfers		~	~	(5,657)	(5,657)
Disposals	~	(82,026)	~	(3,285)	(85,311)
At 31 December 1987	<u>2,097</u>	<u>~</u>	<u>437,311</u>	<u>20,168</u>	<u>466,576</u>
Net book value:					
At 31 December 1987	£1,334,245	£ ~	£545,856	£31,533	£1,911,634
	~~~~~	~~~~~	~~~~~	~~~~~	~~~~~
At 1 January 1987	£ ~	£72,848	£368,901	£24,822	£466,571
	~~~~~	~~~~~	~~~~~	~~~~~	~~~~~

HUNTLEIGH MEDICAL LIMITED

NOTES TO THE ACCOUNTS  
for the year ended 31 DECEMBER 1987  
(continued)

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## 9. TANGIBLE FIXED ASSETS - Continued

Valuation

The freehold land and buildings acquired by the company on 1st July 1987 were revalued at 31st December 1987.

The valuation was made in the UK by a firm of independent chartered surveyors at open market valuation without taking account of any specialised modifications made for existing use.

As it is the company's policy to expand and continually own its assets, if the freehold land and buildings were sold, it would be necessary to replace them by purchasing similar property. Accordingly, any chargeable gain on disposal of this freehold asset would be rolled over against the subsequent acquisition of similar assets. The potential amount of capital gains tax payable on disposal of the asset at the amounts included in the balance sheet has therefore not been quantified.

The historical cost and related depreciation of these properties are as follows:

	<u>Freehold land and buildings</u>
	1987
	£
Cost:	
At 1 January 1987	-
Additions	<u>936,087</u>
	<u>£936,087</u>
	=====
Depreciation:	
At 1 January 1987	-
Charges for the year	<u>6,306</u>
	<u>£ 6,306</u>
	=====
Historical cost net book value:	
At 31 December 1987	<u>£929,781</u>
	=====
At 1 January 1987	<u>£ -</u>
	=====

## 10. CAPITAL COMMITMENTS:

	<u>1987</u>	<u>1986</u>
	£	£
Contracted for	<u>£8,859</u>	<u>£39,220</u>
	=====	=====

# HUNTLEIGH MEDICAL LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 1987 (continued)

### 11. FIXED ASSET INVESTMENTS

Shares  
in group  
companies

Cost:  
At 1 January 1987 and 31 December 1987

£2  
=

The company owns the whole of the issued share capital of Huntleigh Engineering (Luton) Limited, a dormant company incorporated in England. In accordance with the provisions of section 229 (2) of the Companies Act 1985, the company, being a wholly owned subsidiary of Huntleigh Technology plc, has not prepared consolidated accounts in respect of this subsidiary.

### 12. STOCKS

	<u>1987</u>	<u>1986</u>
	£	£
Raw materials and consumables	375,093	332,581
Short term work in progress	48,136	27,624
Finished goods and goods for resale	<u>588,929</u>	<u>593,137</u>
	<u>£1,012,158</u>	<u>£953,342</u>
	=====	=====

### 13. DEBTORS

	<u>1987</u>	<u>1986</u>
	£	£
Trade debtors	608,273	511,216
Amounts owed by group companies	602,314	1,036,433
Amounts owed by related companies	-	118,532
Other debtors	124,036	92,508
Prepayments and accrued income	58,396	48,080
United Kingdom Corporation tax repayable	<u>46,391</u>	<u>-</u>
	<u>£1,439,410</u>	<u>£1,806,769</u>
	=====	=====

### 14. CREDITORS: amounts falling due within one year

	<u>1987</u>	<u>1986</u>
	£	£
Term loan (note 16)	25,995	-
Bank overdraft	257,377	233,007
Trade creditors	458,388	346,490
Amounts owed to group companies	1,230,363	1,116,750
Amounts owed to related companies	-	72,634
Other creditors	54,756	22,735
Other taxes and social security	29,456	49,585
Accruals and deferred income	143,664	53,122
Corporation tax payable	130,202	202,546
Proposed dividend	-	400,000
	<u>£2,330,201</u>	<u>£2,496,869</u>
	=====	=====

The bank overdrafts are secured on a guarantee given by Huntleigh Technology plc and certain fellow subsidiaries and are repayable on demand.

HUNTLEIGH MEDICAL LIMITED

NOTES TO THE ACCOUNTS  
for the year ended 31 DECEMBER 1987  
(continued)

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15. CREDITORS: amounts falling due after  
more than one year

	<u>1987</u> £	<u>1986</u> £
Term loan (note 16)	896,000	-
Amounts owed to group companies	<u>976,277</u>	<u>676,277</u>
	£1,872,277	£ 676,277
	=====	=====

16. TERM LOANS

The bank loan of £921,995 is secured by a floating charge over the moveable assets of the company, and is repayable as follows:

	<u>1987</u> £	<u>1986</u> £
Within one year	25,995	-
Within two to five years	48,000	-
Over five years	<u>848,000</u>	<u>-</u>
	£921,995	£ -

Interest is payable at 1 1/2% over National Westminster Bank plc base rate.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred taxation</u> £
At 1 January 1987	94,502
Transfer to/(from) profit and loss account (note 5)	<u>311</u>
At 31 December 1987	£94,813
	=====

# HUNTLEIGH MEDICAL LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 1987 (continued)

### 17. PROVISIONS FOR LIABILITIES AND CHARGES - continued

The balance of deferred taxation at 31 December 1987 comprises:

	1987		1986	
	Full potential Liability	Provision Made	Full potential Liability	Provision Made
	£	£	£	£
Accelerated capital allowances	104,872	95,513	94,502	94,502
Short term timing differences	(700)	(700)	-	-
	<u>£104,172</u>	<u>£ 94,813</u>	<u>£ 94,502</u>	<u>£ 94,502</u>
	=====	=====	=====	=====

### 18. OPERATING LEASES

At 31 December 1987 the company had annual commitments under non-cancellable operating leases as set out below:

	1987		1986	
	Buildings	Other	Buildings	Other
	£	£	£	£
Operating leases which expire within one year	9,833	-	11,095	1,565
within two to five years	-	-	-	24,000
over five years	-	33,736	29,500	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

### 19. CALLED UP SHARE CAPITAL

	1987	1986
Authorised:		
5,000 Ordinary shares of £1 each	£5,000	£5,000
	=====	=====
Allotted and fully paid:		
1,000 Ordinary shares of £1 each	£1,000	£1,000
	=====	=====

### 20. COMMITMENTS ON BEHALF OF GROUP COMPANIES

The company has entered into an unlimited composite guarantee in respect of any amounts due by its ultimate holding company and by certain fellow subsidiaries to their bankers.

At 31 December 1987 the amounts outstanding were £985,479 (1986 -£695,817)



HUNTLEIGH MEDICAL LIMITED

NOTES TO THE ACCOUNTS  
for the year ended 31 DECEMBER 1987  
(continued)

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## 21. REVALUATION RESERVE

The revaluation reserve arises as a consequence of carrying interests in freehold land and buildings in the balance sheet at a valuation as described in note 9.

The movement on the reserve is:

As at 1 January 1987  
Transfer to reserve  
At 31 December 1987

£  
~  
407,255  
£407,255  
~~~~~

22. ULTIMATE HOLDING COMPANY

Huntleigh Technology plc, incorporated in Great Britain, is regarded by the directors as being the company's ultimate holding company.