

# **STRATEC Medical Limited**

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

**31 December 1996**

Registered number 1231893



# STRATEC Medical Limited

## Directors' report and financial statements

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# STRATEC Medical Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### Principal activities

The principal activities of the company are the distribution of implants and instrument systems for fracture treatment and reconstructive orthopaedic surgery and the provision of services to the medical and veterinary professions, based upon a firm and continuing commitment to postgraduate education.

### Business review

The directors are pleased to report further growth in the business this year together with improved profitability. Sterling has strengthened against the Swiss franc and this is a significant contributory factor.

Trading conditions remain challenging; cost control initiatives in healthcare continue to pressurise revenue and margin and under these circumstances the year end results can be considered good. Continued growth in the business is anticipated for the forthcoming period.

### Proposed dividend and transfer to reserves

The directors have proposed the payment of a final dividend for the year of £500,000 (1995: £200,000), making with the interim dividend of £700,000 (1995: £Nil), a total of £1,200,000 for the year.

The loss for the year retained in the company of £28,000 (1995: loss £56,000) has been transferred to reserves.

### Significant changes in fixed assets

Details of changes in fixed assets are shown in note 7 to the financial statements.

### Directors and directors' interests

The directors who held office during the year were as follows:

R Maag  
JL Pinsent  
AJ Gibson  
CD Hunt

According to the register maintained under Section 325 of the Companies Act 1985, none of the directors was at the end of the financial year interested in shares or debentures of the company or any other body corporate in the same group.

# STRATEC Medical Limited

## Directors' report (continued)

### Directors and directors' interests (continued)

According to the register maintained under Section 325 of the Companies Act 1985, no rights to subscribe for shares in, or debentures of, the company were granted to any of the directors or their immediate families, or exercised by them during the financial year.

### Political and charitable contributions

Donations to UK charities amounted to £13,937 (1995: £14,368).

### Liability insurance

During the year the company maintained liability insurance for its directors against claims and liabilities arising in the performance of their duties.

### 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

  
R Maag  
Director

7 February 1997

# STRATEC Medical 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 of the company 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 maintaining 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.



Aquis Court  
31 Fishpool Street  
St Albans  
Herts AL3 4RF

## Auditors' report to the members of STRATEC Medical Limited

We have audited the financial statements on pages 5 to 17.

### *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 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

7 February 1997

# STRATEC Medical Limited

## Profit and loss account

for the year ended 31 December 1996

	<i>Note</i>	<b>1996</b> £'000	1995 £'000
<b>Turnover</b>	<b>2</b>	<b>21,799</b>	20,762
Cost of sales		<b>(16,101)</b>	(16,406)
<b>Gross profit</b>		<b>5,698</b>	4,356
Distribution costs		<b>(261)</b>	(250)
Administration expenses		<b>(3,716)</b>	(3,809)
<b>Operating profit</b>		<b>1,721</b>	297
Other interest receivable and similar income	<b>3</b>	<b>20</b>	39
Interest payable and similar charges	<b>4</b>	<b>(19)</b>	(22)
<b>Profit on ordinary activities before taxation</b>	<b>5</b>	<b>1,722</b>	314
Tax on profit on ordinary activities	<b>6</b>	<b>(550)</b>	(170)
<b>Profit on ordinary activities after taxation</b>		<b>1,172</b>	144
Dividends - proposed		<b>(500)</b>	(200)
- paid		<b>(700)</b>	-
<b>Retained (loss) for the financial year</b>		<b>(28)</b>	(56)
Retained profit brought forward		<b>2,191</b>	2,247
<b>Retained profit carried forward</b>		<b>2,163</b>	2,191

STRATEC Medical Limited has no recognised gains or losses in the year (1995: none) other than those passing through the profit and loss account.

The figures for the current and prior year represent amounts relating to continuing operations only.

# STRATEC Medical Limited

## Balance sheet at 31 December 1996

	Note	1996		1995	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	7		1,102		1,145
<b>Current assets</b>					
Stocks	8	2,248		2,019	
Debtors	9	3,795		3,822	
Cash at bank and in hand		373		66	
		<u>6,416</u>		<u>5,907</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(5,168)</u>		<u>(4,624)</u>	
<b>Net current assets</b>			<u>1,248</u>		<u>1,283</u>
<b>Total assets less current liabilities</b>			<u>2,350</u>		<u>2,428</u>
<b>Creditors: amounts falling due after more than one year</b>	11		<u>(167)</u>		<u>(217)</u>
<b>Net assets</b>			<u>2,183</u>		<u>2,211</u>
<b>Capital and reserves</b>					
Called up share capital	12		20		20
Profit and loss account			<u>2,163</u>		<u>2,191</u>
<b>Shareholders' funds</b>			<u>2,183</u>		<u>2,211</u>

These financial statements were approved by the board of directors on 7 February 1997 and were signed on its behalf by:

  
R Mang  
Director

  
C Hunt  
Director



# STRATEC Medical Limited

## Cash flow statement

for the year ended 31 December 1996

	<i>Note</i>	1996		1995	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	<b>19</b>		<b>1,508</b>		<b>84</b>
<b>Return on investments and servicing of finance</b>					
Interest received and similar income		20		39	
Interest paid		(19)		(22)	
Dividends paid		(900)		(250)	
<b>Net cash outflow from returns on investment and servicing of finance</b>			<b>(899)</b>		<b>(233)</b>
<b>Taxation</b>					
UK corporation tax paid		(215)		(138)	
<b>Tax paid</b>			<b>(215)</b>		<b>(138)</b>
<b>Investing activities</b>					
Purchase of tangible fixed assets		(41)		(50)	
Sale of tangible fixed assets		4		5	
<b>Net cash outflow from investing activities</b>			<b>(37)</b>		<b>(45)</b>
<b>Net cash inflow/(outflow) before financing</b>			<b>357</b>		<b>(332)</b>
<b>Financing</b>					
Repayment of bank loan		(50)		(50)	
<b>Net cash outflow from financing</b>	<b>20</b>		<b>(50)</b>		<b>(50)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>21</b>		<b>307</b>		<b>(382)</b>

# STRATEC Medical 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.

#### *Basis of preparation*

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

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2 % per annum
Computers	-	33 1/3 % per annum
Furniture, fixtures and office equipment	-	20 % per annum
Motor vehicles	-	25 % per annum

No depreciation is provided on freehold land.

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the date of the transaction; or if hedged forward, at the rate of exchange under the related forward currency contract.

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Pension costs*

The company operates a defined contribution pension scheme. The assets of the schemes are held separately from those of the company in independently administered funds. Contributions payable to the defined contribution scheme are taken to the profit and loss account as they become payable. As explained in note 16 the old defined benefit scheme was closed on 1 February 1995.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

# STRATEC Medical Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Leases*

Rentals under operating leases are charged to the profit and loss account over the life of the lease term.

### 2 Turnover

Turnover represents the invoiced value of goods sold (excluding VAT) less discounts allowed. All of the company's turnover arose from activity in the British Isles.

Turnover is attributable to one class of business, being the distribution of implants and instrument systems for fracture treatment and reconstructive orthopaedic surgery and the provision of services to the medical and veterinary professions.

### 3 Other interest receivable and similar income

	1996 £'000	1995 £'000
Interest receivable	20	39

### 4 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank loans, overdrafts and other loans wholly repayable within five years	19	22

# STRATEC Medical Limited

## Notes (continued)

5	<b>Profit on ordinary activities before taxation</b>	<b>1996</b>	<b>1995</b>
		<b>£'000</b>	<b>£'000</b>
	<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
	Auditors' remuneration - audit	26	25
	- non-audit	16	7
	Directors' remuneration (note 14)	276	225
	Depreciation (note 7)	78	129
	Operating lease rentals - motor vehicles	177	180
	Loss/(profit) on sale of fixed assets	1	(5)
	Foreign exchange (gains)/losses	(681)	509
		<hr/>	<hr/>
6	<b>Taxation</b>	<b>1996</b>	<b>1995</b>
		<b>£'000</b>	<b>£'000</b>
	UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities	550	154
	Under provision of tax in earlier years	-	16
		<hr/>	<hr/>
		<b>550</b>	<b>170</b>
		<hr/>	<hr/>

# STRATEC Medical Limited

## Notes (continued)

### 7 Tangible fixed assets

	Freehold land and buildings	Computers	Furniture, fixtures and office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At beginning of year	1,150	423	442	73	2,088
Additions	-	14	27	-	41
Disposals	-	-	(7)	(9)	(16)
At end of year	1,150	437	462	64	2,113
<i>Depreciation</i>					
At beginning of year	118	392	392	41	943
Charge for year	18	21	25	14	78
Disposals	-	-	(3)	(7)	(10)
At end of year	136	413	414	48	1,011
<i>Net book value</i>					
At 31 December 1996	1,014	24	48	16	1,102
At 31 December 1995	1,032	31	50	32	1,145

Land and buildings includes land of £250,000 (1995: £250,000) on which no depreciation has been charged.

### 8 Stocks

	1996 £'000	1995 £'000
Finished goods and goods for resale	2,248	2,019

# STRATEC Medical Limited

## Notes (continued)

### 9 Debtors

	1996		1995	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Trade debtors	3,559	-	3,585	-
Other debtors	12	-	45	-
Prepayments and accrued income	99	-	142	-
Advance corporation tax	-	125	-	50
	<u>3,670</u>	<u>125</u>	<u>3,772</u>	<u>50</u>

### 10 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Bank loans and overdrafts	50	50
Trade creditors	987	986
Amount owed to parent undertaking	2,554	2,690
Other creditors including taxation and social security:		
Current corporation tax	317	100
Advance corporation tax	287	95
Other taxation and social security	294	205
Proposed dividend	500	200
Accruals and deferred income	179	298
	<u>5,168</u>	<u>4,624</u>

Accruals and deferred income include contributions payable to the company's pension scheme amounting to £11,000 (1995: £130,000).

# STRATEC Medical Limited

## Notes (continued)

### 11 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000
Bank loan	<u>167</u>	<u>217</u>

The rate of interest payable on the bank loan is 1.5 % above base rates. The bank loan is secured by a mortgage over the company's freehold property, and is repayable by instalments over a period of 8 years. The amount repayable by instalments after more than 5 years is £nil (1995: £17,280).

### 12 Called up share capital

	1996 £'000	1995 £'000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>20</u>	<u>20</u>

### 13 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Profit on ordinary activities after taxation	1,172	144
Dividends	<u>(1,200)</u>	<u>(200)</u>
Net (reduction) in shareholders' funds	(28)	(56)
Opening shareholders' funds	<u>2,211</u>	<u>2,267</u>
Closing shareholders' funds	<u>2,183</u>	<u>2,211</u>

# STRATEC Medical Limited

## Notes (continued)

### 14 Remuneration of directors

	1996 £'000	1995 £'000
Directors' emoluments	213	138
Pension costs	63	53
	<u>276</u>	<u>191</u>

The emoluments, excluding pension contributions, of the chairman were £25,000 (1995: £25,000) and those of the highest paid director were £75,810 (1995: £85,236).

The directors received emoluments (excluding pension contributions) in the following ranges:

	Number of directors	
	1996	1995
£10,001 - £15,000	-	2
£20,001 - £25,000	1	1
£45,001 - £50,000	1	-
£65,001 - £70,000	1	-
£75,001 - £80,000	1	-
£85,001 - £90,000	-	1

### 15 Staff numbers and costs

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

	Number of employees	
	1996	1995
Administration	6	6
Selling and distribution	55	58
	<u>61</u>	<u>64</u>

The aggregate payroll costs of these persons were as follows:

	1996 £'000	1995 £'000
Wages and salaries	1,576	1,614
Social security costs	174	170
Other pension costs (see note 16)	208	181
	<u>1,958</u>	<u>1,965</u>



# STRATEC Medical Limited

## Notes (continued)

### 16 Pensions

The pension cost charge for the year represents contributions payable by the company to the defined contribution scheme and amounts to £208,000 (1995 : £181,000). There were £11,000 of contributions outstanding at the end of the financial year (1995: £130,000).

Due to the defined benefits scheme's closure on 1 February 1995, and the remaining surplus identified at the most recent actuarial valuation, no charge has been made in the profit and loss account for the year ended 31 December 1996. The directors consider that any such charge calculated in accordance with Statement of Standard Accounting Practice 24 would not be material.

### 17 Commitments

#### a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	1996	1995
	£'000	£'000
Operating leases for motor vehicles which expire:		
Within one year	40	146
In the second to fifth years inclusive	58	76
	<u>98</u>	<u>222</u>

#### b) Capital commitments

	1996	1995
	£'000	£'000
Contracts for capital expenditure not provided for	<u>-</u>	<u>-</u>

# STRATEC Medical Limited

## Notes (continued)

### 18 Deferred tax

Potential future tax assets have not been recognised on the following timing differences:

	1996 £'000	1995 £'000
Difference between accumulated depreciation and capital allowances	-	13
Other timing differences	4	41
	<u>4</u>	<u>54</u>

### 19 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £'000	1995 £'000
Operating profit	1,722	297
Depreciation charge	78	129
Profit on sale of tangible fixed assets	1	(5)
(Increase)/decrease in stock	(229)	12
Decrease/(increase) in debtors	102	(134)
(Decrease) in creditors	(166)	(215)
	<u>1,508</u>	<u>84</u>
Net cash inflow from operating activities		

### 20 Analysis of changes in financing during the year

	Share capital £'000	Bank loans £'000	Total £'000
Balance at 1 January 1995	20	317	337
Cash outflow:			
- Bank loan instalments paid	-	(50)	(50)
	<u>20</u>	<u>267</u>	<u>287</u>
Balance at 31 December 1995	20	267	287
Cash outflow:			
- Bank loan instalments paid	-	(50)	(50)
	<u>20</u>	<u>217</u>	<u>237</u>
Balance at 31 December 1996	20	217	237

# STRATEC Medical Limited

## Notes *(continued)*

### 21 Analysis of changes in cash and cash equivalents

	Cash £'000	Overdraft £'000	Net £'000
Balance at 1 January 1995	448	-	448
Net cash outflow	(382)	-	(382)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1995	66	-	66
Net cash inflow	307	-	307
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1996	373	-	373
	<hr/>	<hr/>	<hr/>

### 22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The largest and smallest group in which the results of the company are consolidated is that headed by STRATEC Holding AG, incorporated in Switzerland. Copies of the group accounts are available to the public and may be obtained from the parent companies' registered office, at STRATEC Holding AG, CH-4436, Oberdorf, Switzerland.

The directors regard STRATEC Holding AG as being the ultimate parent company.