

# HUNTLEIGH AKRON LIMITED

## Directors' report for the year ended 31 December 1997

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### Financial statements

The directors present their report and audited financial statements for the year ended 31 December 1997.

### 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 year. In preparing those financial statements, the directors are required to:

- 1) select suitable accounting policies and then apply them consistently;
- 2) make judgements and estimates that are reasonable and prudent;
- 3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 4) 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 are 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.

### Principal activity and review of the business

The company's principal activity is the distribution of remedial medical equipment, together with the research into and development of these products. During November 1997 the company sub-contracted its manufacturing to Huntleigh Nesbit Evans Limited.

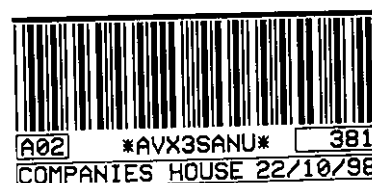
No significant change in activity is anticipated in 1998. The directors are optimistic for the future and believe the company is well placed to take advantage of business opportunities.

### Results and dividends

The loss for the year after taxation amounted to £1,085,032

The directors do not recommend the payment of a dividend for 1997.

The directors have decided to transfer the deficit of £1,085,032 to reserves.



## **HUNTLEIGH AKRON LIMITED**

### **Directors' report for the year ended 31 December 1997**

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#### **Research and development**

The company continually incurs expenditure in the field of research and development in order to update and improve its products. Expenditure on research and development is written off in the year in which it is incurred.

#### **Directors**

The directors since 01 January 1997 were as follows:

P Butler	
G A Cox	- appointed 23.07.97
M W Metcalfe	
D Roworth	
R G Tallowin	

#### **Directors' interests**

The directors who held office at 31 December 1997 had no interests in the shares (or transactions or arrangements requiring disclosure in this report) of the company or any other group company incorporated in Great Britain at the beginning and end of this or the previous financial year, with the exception of G A Cox and M W Metcalfe.

On 03 October 1997, G A Cox was granted options all under the rules of the approved scheme, within the Huntleigh Technology PLC 1995 Employee Share Ownership Scheme ('ESOT'), for over 21,000 ordinary shares of 5p each in Huntleigh Technology PLC. These options which are outstanding at 31 December 1997, are exercisable from 03 October 2000 and expire on 31 October 2007.

Full details of the ESOT are shown in the directors' report and notes to the financial statements of the ultimate holding company, Huntleigh Technology PLC.

M W Metcalfe is a director of the intermediate parent company, The Nesbit Evans Group Limited and his interest is shown in the directors' report of that company.

#### **Creditor payment practice**

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment.

The company's creditor days at 31 December 1997 were 31 days.

#### **Employee policy**

The company's policy is to provide equality of employment opportunity. Through training, career development and promotion, it supports the employment of disabled people wherever possible, by recruitment and retraining all those who become disabled during their employment.

Effective communication with all employees is ensured through a variety of different practices such as works and health and safety committees and periodic briefings by senior managers.

## **HUNTLEIGH AKRON LIMITED**

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#### **Health and safety, and the environment**

The company continuously refines its detailed policies and procedures in respect of health and safety, and environmental matters. The impact of its business on the environment is taken seriously and the company has in place safeguards to protect the environment from pollution. The company seeks to minimise any disturbance to the local and global environment and the quality of life of local communities.

#### **Year 2000**

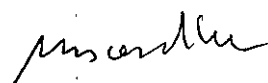
The company has assessed the impact of the millenium date change in relation to its products and IT systems. It has committed itself to upgrading systems software and hardware as necessary in order to ensure that continued operational efficiency is in no way impaired at any time before or from the date of change after midnight on 31 December 1999.

#### **Auditors**

During the year, Arthur Anderson resigned as auditors. Coopers & Lybrand were appointed to fill the vacancy arising.

Pursuant to section 386 of the Companies Act 1985 the company has elected to dispense with the obligations to appoint auditors annually.

**This report was approved by the board on 29 May 1998**



**E B Sardharwala**  
Secretary

# AUDITORS' REPORT

To the Members of Huntleigh Akron Limited:

We have audited the financial statements on pages 5 to 14.

## Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

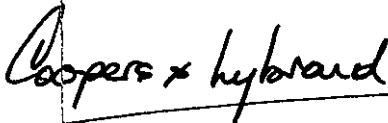
## Basis of opinion

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 circumstances of the company 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 mis-statement, 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 affairs of the company at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
Birmingham

29 May 1998

**HUNTLEIGH AKRON LIMITED****Profit and loss account for  
the year ended 31 December 1997**

	Notes	1997 £	1996 £
<b>Turnover</b>	2	4,431,898	4,902,120
<b>Cost of sales</b>		<u>3,125,911</u>	<u>3,345,738</u>
<b>Gross profit</b>		1,305,987	1,556,382
<b>Distribution costs</b>		707,007	656,134
<b>Administrative expenses:</b>			
other		631,929	663,445
exceptional item	3	<u>1,543,375</u>	<u>-</u>
<b>Operating (loss)/profit</b>	3	(1,576,324)	236,803
<b>Interest payable and similar charges</b>	4	<u>11,174</u>	<u>11,309</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	2	(1,587,498)	225,494
<b>Tax credit/(charge) on (loss)/profit on ordinary activities</b>	5	<u>502,466</u>	<u>(71,653)</u>
<b>(Loss)/profit on ordinary activities after taxation</b>		(1,085,032)	153,841
<b>Dividend paid</b>	6	<u>-</u>	<u>(175,000)</u>
<b>Balance transferred to reserves</b>	16	<u>(1,085,032)</u>	<u>(21,159)</u>

The results above derive from continuing activities.

The company has no recognised gains and losses other than the profit/(loss) above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained loss for the year stated above and their historic cost equivalents.

# HUNTLEIGH AKRON LIMITED

Balance sheet as at 31 December 1997

	Notes	1997 £	1996 £
<b>Fixed assets</b>			
Tangible assets	7	<u>179,329</u>	<u>274,302</u>
<b>Current assets</b>			
Stocks	8	-	658,768
Debtors	9	1,863,293	976,288
Cash at bank and in hand		<u>1,750</u>	<u>1,639</u>
		1,865,043	1,636,695
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,540,801)</u>	<u>(1,300,859)</u>
<b>Net current (liabilities)/assets</b>		<u>(675,758)</u>	<u>335,836</u>
<b>Total assets less current liabilities</b>		<u>(496,429)</u>	<u>610,138</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(845)	(20,580)
<b>Provisions for liabilities and charges</b>	13	<u>-</u>	<u>(1,800)</u>
<b>Net (liabilities)/assets</b>		<u>(497,274)</u>	<u>587,758</u>
<b>Capital and reserves</b>			
Called up share capital	15	50,000	50,000
Capital reserves	16	57,314	57,314
Profit and loss account	16	<u>(604,588)</u>	<u>480,444</u>
<b>Shareholders' funds (all equity)</b>	17	<u>(497,274)</u>	<u>587,758</u>

The financial statements on pages 5 to 14 were approved by the board on 29 May 1998 and were signed on its behalf by:



M W Metcalfe  
Director

# **HUNTLEIGH AKRON LIMITED**

## **Notes to the financial statements for the year ended 31 December 1997**

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### **1. Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year is set out below:

#### **Accounting convention and compliance with accounting standards**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

#### **Cash flow statement**

As allowed under FRS1 issued by the Accounting Standards Boards, this statement has not been prepared as the company is a wholly owned subsidiary undertaking of a company which publishes consolidated financial statements including a consolidated cash flow statement.

#### **Turnover**

Turnover represents amounts receivable for goods and services provided net of trade discounts, VAT and other related taxes.

#### **Research and development**

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at purchase cost, less depreciation. Depreciation is provided on all tangible fixed assets, at a rate calculated to write off the purchase costs, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	- over the lease term
Plant, machinery, fixtures and fittings etc	- 5 - 10 years
Motor vehicles	- 4 years

#### **Leasing and hire purchase**

Assets obtained under leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on straight line basis over the lease term.

# HUNTLEIGH AKRON LIMITED

Notes to the financial statements  
for the year ended 31 December 1997 (continued)

## 1. Accounting policies (continued)

### Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is arrived at as follows:

Raw materials and goods for resale	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

### Pension scheme

This company and other United Kingdom undertakings within Huntleigh Technology PLC Group make contributions to a defined benefit scheme. The cost is charged against profits on a systematic basis over the expected service lives of employees. The funds of that scheme are administered by the trustees and are separate from the Group.

### Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

### Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

## 2. Segmental information

	1997	1996
Class of business	£	£
Medical equipment		
Turnover	<u>4,431,898</u>	<u>4,902,120</u>
(Loss)/profit on activities before taxation	<u>(1,587,498)</u>	<u>225,494</u>

The disclosure of a segmental analysis of turnover outside the United Kingdom is considered to be commercially prejudicial to the operations of the company.



# HUNT LEIGH AKRON LIMITED

Notes to the financial statements  
for the year ended 31 December 1997 (continued)

## 3. Operating profit is stated after charging:

	1997	1996
	£	£
Research and development	105,366	188,680
Depreciation : owned fixed assets	64,441	35,591
: assets under finance leases and hire purchase contracts	16,118	36,545
Operating lease rentals		
- other (including land and buildings)	<u>153,406</u>	<u>161,863</u>

Amounts payable to Coopers & Lybrand as auditors by the company in respect of audit services were £6,300 (1996: £nil). In 1996 audit fees of £11,915 were paid to the former auditors Arthur Anderson.

The exceptional item of £1,543,375 relates to the cost of reorganising the business during the year.

## 4. Interest payable

	1997	1996
	£	£
On bank overdraft repayable within 5 years not by instalment	8,563	3,817
On finance leases and hire purchase contracts terminating within five years	<u>2,611</u>	<u>7,492</u>
	<u>11,174</u>	<u>11,309</u>

## 5. Credit/(charge) on tax on (loss)/profit on ordinary activities

	1997	1996
	£	£
UK Corporation Tax at 31 per cent (1996: 33 per cent)	160,293	(83,654)
Deferred taxation (note 13)	<u>341,102</u>	<u>10,902</u>
	501,395	(72,752)
Over provision for prior years	<u>1,071</u>	<u>1,099</u>
	<u>502,466</u>	<u>(71,653)</u>

## 6. Dividend

	1997	1996
	£	£
Interim dividend paid	<u>-</u>	<u>175,000</u>

# HUNTLEIGH AKRON LIMITED

Notes to the financial statements  
for the year ended 31 December 1997 (continued)

## 7. Tangible fixed assets

	Short term leasehold properties £	Plant and machinery £	Motor Vehicles £	Total £
<b>Cost</b>				
At 01 January 1997	43,882	398,810	151,119	593,811
Additions	1,387	15,994	64,332	81,713
Disposals	(970)	(62,118)	(45,011)	(108,099)
Revaluation adjustments	-	(592)	-	(592)
<b>At 31 December 1997</b>	<b>44,299</b>	<b>352,094</b>	<b>170,440</b>	<b>566,833</b>
<b>Depreciation</b>				
At 01 January 1997	26,256	221,483	71,770	319,509
Exceptional write off	14,607	65,393	-	80,000
Provision for the year	4,406	38,902	37,251	80,559
Disposals	(970)	(62,118)	(29,476)	(92,564)
<b>At 31 December 1997</b>	<b>44,299</b>	<b>263,660</b>	<b>79,545</b>	<b>387,504</b>
<b>Net book value:</b>				
At 31 December 1997	-	88,434	90,895	179,329
At 31 December 1996	17,626	177,327	79,349	274,302

Short term leasehold properties comprise tenants' improvements.

Tangible fixed assets of £179,329 (1996: £274,302) include plant and machinery held under finance leases with a total net book value of £50,910 (1996: £105,534).

## 8. Stocks

	1997 £	1996 £
Raw materials and consumables	-	243,176
Work in progress	-	257,680
Finished goods and goods for resale	-	157,912
	-	658,768

## 9. Debtors

	1997 £	1996 £
Trade debtors	988,548	832,951
Amounts owed by Group undertakings	319,285	9,342
Other debtors	-	37,599
Prepayments and accrued income	55,865	96,396
Corporation tax recoverable under group relief	160,293	-
Deferred taxation	339,302	-
	<b>1,863,293</b>	<b>976,288</b>

# HUNTLEIGH AKRON LIMITED

Notes to the financial statements  
for the year ended 31 December 1997 (continued)

10.	<b>Creditors: amounts falling due within one year</b>		
	Obligations under finance lease contracts	19,206	37,852
	Bank loans and overdrafts	238,328	99,057
	Trade creditors	228,885	581,306
	Amounts owed to Group undertakings	1,140,300	344,521
	Amounts owed to associated undertakings	4,005	4,016
	Corporation tax	-	84,644
	Other taxation and social security	36,075	63,250
	Other creditors	42,169	-
	Accruals and deferred income	831,833	86,213
		<u>2,540,801</u>	<u>1,300,859</u>
	Bank loans and overdrafts are secured on the assets of the company. Interest rates on the bank loans vary with base rates.		
11.	<b>Creditors: amounts falling due after more than one year</b>		
		1997	1996
		£	£
	Obligations under finance lease contracts repayable within 5 years	<u>845</u>	<u>20,580</u>
12.	<b>Obligations under finance lease contracts</b>		
	Net obligations under finance lease contracts are repayable:		
		1997	1996
		£	£
	Within one year	19,206	37,852
	Between one and two years	845	19,213
	Between two and five years	<u>-</u>	<u>1,367</u>
		<u>20,051</u>	<u>58,432</u>
13.	<b>Provisions for liabilities and charges</b>		
	<b>Deferred tax</b>		
	Full provision has been made in the financial statements for deferred tax as follows:		
		1997	1996
		£	£
	At the beginning of the year	1,800	12,702
	Profit and loss account (see note 5)	<u>(341,102)</u>	<u>(10,902)</u>
	At the end of the year: included in provisions for liabilities and charges	<u>-</u>	<u>1,800</u>
	included in debtors (see note 9)	<u>(339,302)</u>	<u>-</u>
	The deferred tax liability comprises:		
	Accelerated capital allowances	(20,490)	12,156
	Other	<u>(318,812)</u>	<u>(10,356)</u>
		<u>(339,302)</u>	<u>(1,800)</u>

# HUNTLEIGH AKRON LIMITED

Notes to the financial statements  
for the year ended 31 December 1997 (continued)

## 14. Pension Costs

During the year the company has participated in a defined benefit scheme in the United Kingdom, operated by the Huntleigh Technology PLC Group. The Group reorganised the pension arrangements with effect from 05 April 1997 when a new scheme, the Huntleigh Technology (1997) Pension Scheme, was introduced replacing all previous schemes. In particular the company ceased to participate in the Akron Therapy Products Ltd Retirement and Death Benefit Scheme with effect from 05 April 1997 and the assets and liabilities were transferred to the new scheme. The assets of the schemes are held in separate trustees administered funds. Contributions to the scheme are determined on the basis of advice from independent qualified actuaries with the objective of providing funds required to meet pension obligations as they fall due. The pension costs for the year of the company was £45,287 (1996: £66,068).

A valuation of the new scheme was carried out as at 05 April 1997 taking into account the assets and liabilities transferred. The principal actuarial assumptions used to value the scheme were investment growth of 8 per cent per annum, salary increases of 6.25 per cent per annum and allowance for pension increases in accordance with guaranteed rates. The total market value of the scheme's assets as at the valuation date was £11,213,000. The actuarial value of those assets was sufficient to cover 91% of the benefits which had accrued to members after allowing for expected future increases in earnings. The valuation took into account the changes to Advance Corporation Tax that were introduced in the July 1997 budget. Further details of the pension scheme are included in the financial statements of Huntleigh Technology PLC.

## 15. Called up share capital

	1997	1996
	£	£
Authorised, allotted and fully paid 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

## 16. Reserves

	Profit and loss account	Capital reserves
	£	£
Balance at 01 January 1997	480,444	57,314
Deficit for the year	<u>(1,085,032)</u>	<u>-</u>
Balance at 31 December 1997	<u>(604,588)</u>	<u>57,314</u>

## 17. Reconciliation of movements in shareholders' funds

	1997	1996
	£	£
(Loss)/profit for the year after taxation	(1,085,032)	153,841
Dividend	-	(175,000)
Opening shareholders' funds	<u>587,758</u>	<u>608,917</u>
Closing shareholders' funds	<u>(497,274)</u>	<u>587,758</u>

# HUNTLEIGH AKRON LIMITED

Notes to the financial statements  
for the year ended 31 December 1997 (continued)

## 18. Contingent liability

The company has entered into a composite guarantee with its United Kingdom bankers, Barclays Bank PLC in respect of any amounts due by itself, by the parent and by certain fellow subsidiary under-takings. The amounts for that Group outstanding at 31 December 1997 were £10,168,000 (1996: £16,201,000).

These Group totals represent overdrawn balances on current accounts with those United Kingdom bankers and do not include Group credit balances and deposit accounts with them of £4,159,000 at 31 December 1997 (1996: £9,661,000).

## 19. Capital commitments

The company had no capital commitments at 31 December 1997 or at 31 December 1996.

## 20. Financial commitments

### Operating leases

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Land and Buildings	Other	Land and Buildings	Other
Expiry date	£	£	£	£
Within one year	-	8,105	-	7,843
Between two and five years	141,750	19,239	75,250	9,838
In over five years	-	-	66,500	-
	<u>141,750</u>	<u>27,344</u>	<u>141,750</u>	<u>17,681</u>

## 21. Directors' emoluments

The emoluments of directors of the company were:

	1997	1996
	£	£
Aggregate emoluments	160,023	182,901
Compensation for loss of office	-	30,019
	<u>160,023</u>	<u>212,920</u>

Retirement benefits are accruing to all the directors under defined benefit arrangements.

## HUNTLEIGH AKRON LIMITED

Notes to the financial statements  
for the year ended 31 December 1997 (continued)

### 22. Employees

#### 1) Number of employees

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

	1997 Number	1996 Number
Production	56	74
Sales and administration	<u>29</u>	<u>24</u>
	<u>85</u>	<u>98</u>

#### 2) Employee costs

	1997 £	1996 £
Wages and salaries	1,215,180	1,307,882
Social Security costs	110,756	104,758
Other pension costs	<u>45,287</u>	<u>66,068</u>
	<u>1,371,223</u>	<u>1,478,708</u>

### 23. Related party transactions

The company has taken advantage of the exemption available in FRS8, Related Party Disclosures, on the basis that it is a 100 per cent controlled subsidiary undertaking of a group incorporated in England and Wales for which consolidated financial statements, including the subsidiary, are publicly available.

The ultimate controlling party is Huntleigh Technology PLC.

### 24. Ultimate parent company

The directors regard Huntleigh Technology PLC, a company registered in England, as the company's ultimate parent company.

Huntleigh Technology PLC is the parent undertaking of the smallest and largest groups of which the company is a member and for which group financial statements are prepared. Copies of these group financial statements can be obtained from Huntleigh Technology PLC, 310-312 Dallow Road, Luton, Bedfordshire, LU1 1TD.