Prentke Romich International Limited

Financial statements

Registered number 2590367

30 September 1999

Financial statements

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 1999.

Principal activity

The company acts as a distributor of augmentative alternative communication devices for its ultimate holding company, Prentke Romich Company, a company registered in the United States of America.

Review of business

The directors are satisfied with the results for the year. Significant activity during the year has been concentrated towards assisting Prentke Romich Company, USA with some reorganisation. We are aware of Prentke Romich International's dependence upon Prentke Romich Deutschland and Liberator Limited, and will seek to spread the business across a wider customer base within the next two years.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year were as follows:

RA Jameson
B Baker
J Durbin - resigned 26 October 1998
Mrs ME Broehl
Mrs K Phillips

No director had any interest in the share capital of the company during the year. Directors' interests in the shares of the holding company are shown in the financial statements of that company.

Except as set out in notes 6, 12, 13 and 24 to these financial statements, no director had, during or at the end of the period, any material interest in a contract which was significant in relation to the company's business.

Directors' report *(continued)*

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

ME Broehl
Secretary

4 January 2000

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 a 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.

KPMG

St Nicholas House
Park Row
NOTTINGHAM
NG1 6FQ

Report of the auditors to the members of Prentke Romich International Limited

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

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 30 September 1999 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

4 January 2000

Profit and loss account

for the year ended 30 September 1999

	Notes	1999 $	1998 $
Turnover	2	2,461,021	2,568,280
Cost of sales		(1,813,705)	(1,980,053)
Gross profit		647,316	588,227
Administrative expenses		(468,318)	(359,220)
		178,998	229,007
Other operating income	3	11,263	25,742
Operating profit		190,261	254,749
Interest receivable and similar income	4	1,386	1,781
Interest payable and similar charges	5	(1,077)	(1,871)
Profit on ordinary activities before taxation	6	190,570	254,659
Taxation on profit on ordinary activities	8	(46,281)	(68,926)
Retained profit for the financial year		144,289	185,733
Profit brought forward		546,028	360,295
Retained profit carried forward		690,317	546,028

In both the current and preceding years, there was no material difference between the profit reported in the profit and loss account and the profit on an unmodified historical cost basis and there were no recognised gains or losses other than those disclosed in the profit and loss account.

In both the current and preceding years, the company made no material acquisitions and had no discontinued operations.

Balance sheet
at 30 September 1999

	Notes		1999		1998
		$	$	$	$
Fixed assets					
Tangible assets	*10*		**31,457**		35,892
Current assets					
Stocks	*11*	**185,222**		169,458	
Debtors	*12*	**408,295**		529,839	
Cash at bank and in hand		**431,901**		180,056	
		1,025,418		879,353	
Creditors: amounts falling due within one year	*13*	**(226,638)**		(223,914)	
Net current assets			**798,780**		655,439
Total assets less current liabilities			**830,237**		691,331
Creditors: amounts falling due after more than one year	*14*		**-**		(5,383)
Net assets			**830,237**		685,948
Capital and reserves					
Called up share capital	*16*		**139,920**		139,920
Profit and loss reserves			**690,317**		546,028
Shareholders' funds	*17*		**830,237**		685,948

These financial statements were approved by the board of directors on 4 January 2000 and were signed on its behalf by:

Katie J. Phillips

K Phillips
Director

Cash flow statement

for the year ended 30 September 1999

	Notes	1999 $	1998 $
Cash flow from operating activities	*18*	**335,675**	96,137
Returns on investments and servicing of finance	*20*	**309**	(90)
Taxation		**(69,881)**	(66,925)
Capital expenditure and financial investment	*20*	**(7,080)**	(3,573)
Cash inflow before use of liquid resources and financing		**259,023**	25,549
Financing	*20*	**(7,178)**	(13,971)
Increase in cash	*19*	**251,845**	11,578

Reconciliation of net cash flow to movement in net funds

	Notes	$
Increase in cash in the year		251,845
Cash outflow from changes in lease financing		7,178
Movement in net funds in year		259,023
Net funds at 1 October 1998		167,495
Net funds at 30 September 1999	*19*	**426,518**

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.

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and on a going concern basis which assumes the continued support of the ultimate parent undertaking.

Functional currency

The company acts as a distribution agent for its US parent undertaking and, as such, the majority of its transactions are in US Dollars. The financial statements have therefore been prepared in US Dollars, the company's functional currency. Monetary assets and liabilities at 30 September 1999 expressed in any currency other than US Dollars have been translated at the exchange rate of £1 : $1.5.

Basis of consolidation

Group financial statements have not been prepared in accordance with the exemptions offered to small sized groups by the Companies Act 1985. These financial statements present information about the company as an individual undertaking and not about its group.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for goods supplied and for services provided, excluding value added tax and trade discounts.

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Depreciation

Depreciation is charged over the expected useful lives of fixed assets at the following rates:

Fixtures, fittings and equipment	- 25% per annum straight line
Motor vehicles	- 25% per annum reducing balance

Finished goods and goods for resale

Stocks of finished goods are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Provision is made for deferred taxation to the extent that it is expected to fall due for payment in the foreseeable future.

Notes *(continued)*

1 Accounting policies *(continued)*

Share capital

Share capital has been translated at the historic rate of £1 = $1.749.

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives. The finance charges are written off to the profit and loss account in the period in which they arise.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

The whole of the company's turnover was derived from its principal activity and excludes VAT. The analysis of turnover by geographical area is as follows:

	1999	1998
	$	$
United Kingdom	**462,119**	796,528
Rest of Europe	**1,998,902**	1,771,752
	2,461,021	2,568,280

3 Other operating income

	$	$
Management services	**11,263**	25,742

4 Interest receivable and similar income

	$	$
Loan interest	-	1,278
Bank interest	**1,386**	503
	1,386	1,781

5 Interest payable and similar charges

	$	$
On all other loans	**1,077**	1,871

Notes *(continued)*

6 Profit on ordinary activities before taxation

	1999	1998
	$	$
This is stated after charging/(crediting):		
Auditors' remuneration - audit work	**5,300**	5,150
Depreciation of owned assets	**4,226**	4,773
Depreciation of assets held under hire purchase agreement	**7,289**	7,171
Management fee	**11,263**	25,742
Administrative charge	**18,105**	21,239
Exchange loss/(gain)	**36,647**	(543)

The charge for administrative services, including full office, shipping and technical training and support is paid to Liberator Limited in accordance with a written agreement.

7 Employee information

The average number of employees of the company, including directors, was 9 *(1998: 9)*.

	1999	1998
	$	$
The costs of employment were:		
Wages and salaries	**241,832**	169,366
Social security costs	**23,775**	11,650
Other pension costs	**16,309**	13,120
	281,916	194,136

Remuneration of directors

	1999	1998
	$	$
Director's emoluments	**157,169**	104,025
Company contributions to money purchase pension schemes	**9,034**	5,885
	166,203	109,910

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	1999	1998
Money purchase schemes	**1**	1

Notes *(continued)*

8 Taxation on profit on ordinary activities

	1999 $	1998 $
Corporation tax at 31% *(1998: 31%)*	**45,900**	69,500
Under/(over) provision in prior year	**381**	(574)
	46,281	68,926

9 Investment in subsidiary

The company owns the entire share capital of Prentke Romich GmbH, a company registered and incorporated in Germany. It acquired the share capital for a consideration of $63,555 on 27 September 1992. There is one ordinary share in issue and the value of this investment was written down to zero, as an exceptional item in 1992.

10 Tangible assets

	Fixtures, fittings, and equipment $	Motor vehicles $	Total $
Cost:			
At 1 October 1998	18,656	32,093	50,749
Additions	7,080	-	7,080
Disposals	(4,638)	-	(4,638)
At 30 September 1999	21,098	32,093	53,191
Depreciation:			
At 1 October 1998	11,923	2,934	14,857
Charge for year	4,226	7,289	11,515
Disposals	(4,638)	-	(4,638)
At 30 September 1999	11,511	10,223	21,734
Net book value:			
At 30 September 1999	**9,587**	**21,870**	**31,457**
At 30 September 1998	6,733	29,159	35,892

The net book value of tangible fixed assets includes $21,870 *(1998: $29,159)* in respect of assets held under hire purchase agreements. Depreciation charges in the year on these assets amounted to $7,289 *(1998: $7,171)*.

11 Stocks

	1999 $	1998 $
Finished goods and goods for resale	**185,222**	169,458

Notes *(continued)*

12 Debtors

	1999	1998
	$	$
Trade debtors	163,956	181,977
Amounts owed by group undertakings	76,303	107,518
Amounts owed by related undertaking	129,903	207,573
Other debtors	38,133	32,771
	408,295	529,839

The related undertaking is Liberator Limited, of which Mr T Sutton, father of Mrs K Phillips, is a director and the majority shareholder.

Sales to group undertakings were $1,053,872 *(1998: $747,763).*

13 Creditors: amounts falling due within one year

	$	$
Trade creditors	30,396	39,247
Amounts owed to group undertakings	18,287	59,275
Corporation tax	45,900	69,500
Hire purchase contracts and finance leases	5,383	7,178
Accruals and deferred income	126,672	48,714
	226,638	223,914

Purchases from group undertakings were $1,627,853 *(1998: $1,888,846).*

14 Creditors: amounts falling due after more than one year

	$	$
Hire purchase contracts and finance leases	-	5,383

15 Obligations under hire purchase contracts and finance leases

	$	$
Amounts due within one year	5,383	7,178
Amounts due within two to five years	-	5,383
	5,383	12,561

Notes *(continued)*

16 Share capital

	1999	1998
	$	$
Authorised:		
500,000 ordinary shares of £1 each	**874,500**	874,500
Issued and fully paid:		
80,000 ordinary shares of £1 each	**139,920**	139,920

17 Reconciliation of movements in shareholders' funds

	$	$
Profit for the financial year	**144,289**	185,733
Opening shareholders' funds	**685,948**	500,215
Closing shareholders' funds	**830,237**	685,948

18 Reconciliation of operating profit to net cash inflow from operating activities

	$	$
Operating profit	**190,261**	254,749
Depreciation	**11,515**	11,944
Loss on sale of fixed assets	**-**	5,597
Increase in stocks	**(15,764)**	(61,341)
Decrease/(increase) in debtors	**121,544**	(220,138)
Increase in creditors	**28,119**	105,326
Net cash inflow from operating activities	**335,675**	96,137

19 Analysis of changes in net funds

	At 1 Oct 98	Cash flows	Other movements	At 30 Sep 99
	$	$	$	$
Cash at bank and in hand	180,056	251,845	-	**431,901**
Finance leases	(12,561)	7,178	-	**(5,383)**
Total	167,495	259,023	-	**426,518**

Notes *(continued)*

20 Analysis of cash flows for headings netted in the cash flow statement

	1999	1998
	$	$
Returns on investments and servicing of finance		
Interest received	1,386	1,781
Interest paid	(1,077)	(1,871)
Net cash (outflow)/inflow from returns on investments and servicing of finance	309	(90)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(7,080)	(3,573)
Net cash outflow for capital expenditure and financial investment	(7,080)	(3,573)
Financing		
Capital element of finance lease rental payments	(7,178)	(13,971)
Net cash outflow from financing	(7,178)	(13,971)

21 Capital commitments

There were no capital commitments at 30 September 1999 *(1998: $nil).*

22 Ultimate parent undertaking

The ultimate parent undertaking is Prentke Romich Company of 1022 Heyl Road, Wooster, Ohio, a company registered and incorporated in the United States of America.

23 Pensions

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 pension cost charge represents contributions of £16,310 (1998: £13,120) payable by the company to the fund. There are no amounts payable at the year end (1998: £nil).

24 Directors' interests

The company made sales of $638,120 *(1998: $796,528)* and purchases of $110,605 *(1998: $25,562)* to/from Liberator Limited during the period. Mr T Sutton who is the father of another director, Mrs K Phillips is a director of Liberator Limited. The transactions were made on an arms length basis.