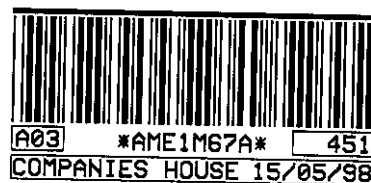


Prentke Romich Europe Limited

Financial statements

30 September 1997

Registered number 2590367



Financial statements

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Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 1997.

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.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors and their interests in the shares of the company during the year were as follows:

		Ordinary shares of £1 each	
		1997	1996
RA Jameson		-	-
T Sutton	- resigned 1 April 1997	-	8,800
B Baker		-	8,000
J Durbin		-	-
Mrs ME Broehl		-	-
Mrs K Phillips		-	-

Except as set out in notes 6, 12 and 13 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' interests in the shares of the holding company are shown in the financial statements of that company.

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

19 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 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.



St Nicholas House
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NOTTINGHAM
NG1 6FQ

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

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

As described on page 2, 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'A. P. ...', written over a horizontal line.

*Chartered Accountants
Registered Auditors*

19 December 1997

Profit and loss account

for the year ended 30 September 1997

	<i>Notes</i>	1997 \$	1996 \$
Turnover	2	1,972,319	1,943,315
Cost of sales		(1,479,944)	(1,475,050)
Gross profit		492,375	468,265
Administrative expenses		(270,415)	(240,649)
Other operating income	3	221,960 38,325	227,616 40,563
Operating profit		260,285	268,179
Interest receivable and similar income	4	324	3,241
Interest payable and similar charges	5	(299)	(22,699)
Profit on ordinary activities before taxation	6	260,310	248,721
Taxation on profit on ordinary activities	8	(63,465)	(74,360)
Retained profit for the financial year		196,845	174,361
Profit/(deficit) brought forward		163,450	(10,911)
Retained profit carried forward		360,295	163,450

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 1997

	<i>Notes</i>	\$	1997 \$	1996 \$
Fixed assets				
Tangible assets	<i>10</i>		33,143	39,594
Current assets				
Stocks	<i>11</i>	108,117	94,363	
Debtors	<i>12</i>	309,701	536,096	
Cash at bank and in hand		168,478	176,716	
		<u>586,296</u>	<u>807,175</u>	
Creditors: amounts falling due within one year	<i>13</i>	(119,224)	(533,598)	
Net current assets			<u>467,072</u>	<u>273,577</u>
Total assets less current liabilities			<u>500,215</u>	<u>313,171</u>
Creditors: amounts falling due after more than one year	<i>14</i>		-	(9,801)
Net assets			<u><u>500,215</u></u>	<u><u>303,370</u></u>
Capital and reserves				
Called up share capital	<i>16</i>		139,920	139,920
Profit and loss reserves			360,295	163,450
Shareholders' funds	<i>17</i>		<u><u>500,215</u></u>	<u><u>303,370</u></u>

These financial statements were approved by the board of directors on 19 December 1997 and were signed on its behalf by:

K Phillips

J Durbin
Directors

Cash flow statement
for the year ended 30 September 1997

	<i>Notes</i>	1997 \$	1996 \$
Cash flow from operating activities	18	78,073	57,558
Returns on investments and servicing of finance	20	25	(19,458)
Taxation		(70,965)	(25,360)
Capital expenditure and financial investment	20	(5,583)	(23,479)
Cash inflow/(outflow) before use of liquid resources and financing		<u>1,550</u>	<u>(10,739)</u>
Financing	20	(9,788)	(10,196)
Decrease in cash	19	<u>(8,238)</u>	<u>(20,935)</u>

Reconciliation of net cash flow to movement in net funds

	<i>Notes</i>	\$
Decrease in cash in the year		(8,238)
Cash outflow from lease financing		9,788
Movement in net funds in period		<u>1,550</u>
Net funds at 1 August 1996		157,114
Net funds at 30 September 1997	19	<u>158,664</u>

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 1997 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 the 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.

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:

	1997 \$	1996 \$
United Kingdom	661,985	847,126
Rest of Europe	1,310,334	1,096,189
	<u>1,972,319</u>	<u>1,943,315</u>

3 Other operating income

	\$	\$
Management services	38,325	40,563
	<u>38,325</u>	<u>40,563</u>

4 Interest receivable and similar income

	\$	\$
Loan interest	324	3,241
	<u>324</u>	<u>3,241</u>

5 Interest payable and similar charges

	\$	\$
<i>Interest payable and similar charges:</i>		
On all other loans	299	22,699
	<u>299</u>	<u>22,699</u>

Notes (continued)

6 Profit on ordinary activities before taxation

	1997	1996
	\$	\$
<i>This is stated after charging/(crediting):</i>		
Auditors' remuneration	5,000	4,875
Depreciation of owned assets	3,940	3,359
Depreciation of assets held under hire purchase agreement	8,094	5,014
Management fee	4,608	5,359
Administrative charge	19,548	20,830
Exchange loss/(gain)	38,068	(7,436)
	<u> </u>	<u> </u>

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 8 (1996: 8).

	1997	1996
	\$	\$
<i>The costs of employment were:</i>		
Wages and salaries	93,414	131,900
Social security costs	9,341	7,686
Other pension costs	9,202	8,327
	<u> </u>	<u> </u>
	111,957	147,913
	<u> </u>	<u> </u>

Remuneration of directors

	1997	1996
	\$	\$
Directors' emoluments	63,750	83,840
Company contributions to money purchase pension schemes	5,885	6,067
	<u> </u>	<u> </u>
	69,635	89,907
	<u> </u>	<u> </u>

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

	Number of directors
	1997 1996
Money purchase schemes	1 1
	<u> </u> <u> </u>

Notes (continued)

8 Taxation on profit on ordinary activities

	1997 \$	1996 \$
Corporation tax at 32% (1996: 35.25%)	67,500	75,000
Over provision in prior year	(4,035)	(640)
	<u>63,465</u>	<u>74,360</u>

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 \$
<i>Cost:</i>			
At 1 October 1996	14,387	32,377	46,764
Additions	5,583	-	5,583
	<u>19,970</u>	<u>32,377</u>	<u>52,347</u>
At 30 September 1997	19,970	32,377	52,347
<i>Depreciation:</i>			
At 1 October 1996	7,170	-	7,170
Charge for year	3,940	8,094	12,034
	<u>11,110</u>	<u>8,094</u>	<u>19,204</u>
At 30 September 1997	11,110	8,094	19,204
<i>Net book value:</i>			
At 30 September 1997	<u>8,860</u>	<u>24,283</u>	<u>33,143</u>
At 30 September 1996	<u>7,217</u>	<u>32,377</u>	<u>39,594</u>

The net book value of tangible fixed assets includes \$24,283 (1996: \$32,377) in respect of assets held under hire purchase agreements.

Depreciation charges in the year on these assets amounted to \$8,094 (1996: \$nil).

11 Stocks

	1997 \$	1996 \$
Finished goods and goods for resale	<u>108,117</u>	<u>94,363</u>

Notes (continued)

12 Debtors

	1997	1996
	\$	\$
Trade debtors	136,416	163,881
Amounts owed by group undertakings	111,484	146,557
Amounts owed by related undertaking	51,980	214,246
Other debtors	9,821	11,412
	<u>309,701</u>	<u>536,096</u>

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

Sales to group undertakings were \$596,116 (1996: \$623,968).

13 Creditors: amounts falling due within one year

	\$	\$
Trade creditors	20,423	16,222
Amounts owed to group undertakings	-	395,976
Corporation tax	67,500	75,000
Hire purchase	9,814	9,801
Accruals and deferred income	21,487	36,599
	<u>119,224</u>	<u>533,598</u>

Purchases from group undertakings were \$1,343,423 (1996: \$1,326,835).

14 Creditors: amounts falling due after more than one year

	\$	\$
Hire purchase	-	9,801
	<u>-</u>	<u>9,801</u>

15 Obligations under hire purchase contracts

	\$	\$
Amounts due within one year	9,814	9,801
Amounts due within two to five years	-	9,801
	<u>9,814</u>	<u>19,602</u>

Notes (continued)

16 Share capital

	1997 \$	1996 \$
<i>Authorised:</i>		
500,000 ordinary shares of £1 each	874,500	874,500
<i>Issued and fully paid:</i>		
80,000 ordinary shares of £1 each	139,920	139,920

17 Reconciliation of movements in shareholders' funds

	\$	\$
Profit for the financial year	196,845	174,361
Opening shareholders' funds	303,370	129,009
Closing shareholders' funds	500,215	303,370

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

	\$	\$
Operating profit	260,285	268,179
Depreciation	12,034	8,373
Loss on sale of fixed assets	-	2,465
(Increase)/decrease in stocks	(13,754)	56,214
Decrease in debtors	226,395	41,222
Decrease in creditors	(406,887)	(318,895)
Net cash inflow from operating activities	78,073	57,558

19 Analysis of changes in net funds

	At 1 Oct 96 \$	Cash flows \$	At 30 Sep 97 \$
Cash at bank and in hand	176,716	(8,238)	168,478
Finance leases	(19,602)	9,788	(9,814)
Total	157,114	1,550	158,664

Notes (continued)

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

	1997	1996
	\$	\$
Returns on investments and servicing of finance		
Interest received	324	3,241
Interest paid	(299)	(22,699)
	<hr/>	<hr/>
Net cash inflow/(outflow) from returns on investments and servicing of finance	25	(19,458)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5,583)	(35,479)
Sales of tangible fixed assets	-	12,000
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(5,583)	(23,479)
	<hr/>	<hr/>
Financing		
Capital element of finance lease rental payments	(9,788)	(10,196)
	<hr/>	<hr/>
Net cash outflow from financing	(9,788)	(10,196)
	<hr/>	<hr/>

21 Capital commitments

There were no capital commitments at 30 September 1997 (1996: \$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 Directors' interests

The company made sales of \$661,985 (1996: \$847,126) and purchases of \$37,757 (1996: \$37,898) to/from Liberator Limited during the period. Mr T Sutton who resigned as a director during the year and 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.