

Prentke Romich Europe Limited

Financial statements

30 September 1995

Registered number 2590367



Prentke Romich Europe Limited

Financial statements

| <i>Contents</i> | <i>Page</i> |
|---|-------------|
| Directors' report | 1 - 2 |
| Statement of directors responsibilities | 3 |
| Auditors' report | 4 |
| Section 248 report | 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Cash flow statement | 8 |
| Notes | 9 - 14 |

Prentke Romich Europe Limited

Report of the directors

The directors present their report and the audited financial statements for the year ended 30 September 1995.

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 the business

The directors are satisfied with the results for the year and look forward to increased profits in the future.

Dividends

The directors do not recommend the payment of a dividend.

Fixed assets

The movements in fixed assets are set out in the notes to the financial statements.

Directors

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

| | Ordinary shares of £1 each 1995 and 1994 |
|----------------|---|
| RA Jameson | - |
| T Sutton | 8,800 |
| B Baker | 8,000 |
| J Durbin | - |
| Mrs ME Broehl | - |
| Mrs K Phillips | - |

Except as set out in notes 4, 10 and 11 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.

Prentke Romich Europe Limited

Report of the directors *(continued)*

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. 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

15 January 1996

Prentke Romich Europe 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 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
31 Park Row
NOTTINGHAM
NG1 6FQ

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

We have audited the financial statements on pages 6 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 1995 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 'W. P. M. C.', written in a cursive style.

*Chartered Accountants
Registered Auditors*

15 January 1996



St Nicholas House
31 Park Row
NOTTINGHAM
NG1 6FQ

Report of the auditors to the directors of Prentke Romich Europe Limited
Pursuant to section 248 of the Companies Act 1985

We have examined the relevant financial statements of Prentke Romich Europe Limited and of its subsidiary undertaking. The scope of our work for the purpose of this report was limited to ascertaining whether Prentke Romich Europe Limited is entitled to the exemption from the requirement to prepare group financial statements for the year ended 30 September 1995.

In our opinion, the group consisting of Prentke Romich Europe Limited and its subsidiary undertaking is a small-sized group in respect of the year ended 30 September 1995 and Prentke Romich Europe Limited is therefore entitled to the exemption from the requirement to prepare group financial statements under section 248 of the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'J. L. R.', written in a cursive style.

*Chartered Accountants
Registered Auditors*

15 January 1996

Prentke Romich Europe Limited

Profit and loss account

for the year ended 30 September 1995

| | Notes | 1995 \$ | 1994 \$ |
|--|-------|--------------------|--------------------|
| Turnover | 2 | 1,559,959 | 1,283,767 |
| Cost of sales | | (1,167,424) | (1,029,737) |
| Gross profit | | 392,535 | 254,030 |
| Administrative expenses | | (244,016) | (221,874) |
| | | 148,519 | 32,156 |
| Interest payable and similar charges | 3 | (45,733) | (1,306) |
| Profit on ordinary activities before taxation | 4 | 102,786 | 30,850 |
| Taxation on profit on ordinary activities | 6 | (24,740) | (7,000) |
| Retained profit for the financial year | | 78,046 | 23,850 |
| Deficit brought forward | | (88,957) | (112,807) |
| Retained deficit carried forward | | \$ (10,911) | \$ (88,957) |

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.

The notes on pages 9 to 14 form part of these financial statements.

Prentke Romich Europe Limited

Balance sheet at 30 September 1995

| | Notes | 1995 | 1994 |
|--|-------|------------------|------------------|
| | | \$ | \$ |
| Fixed assets | | | |
| Tangible assets | 8 | 26,953 | 34,170 |
| Current assets | | | |
| Stocks | 9 | 150,577 | 150,475 |
| Debtors | 10 | 577,318 | 662,110 |
| Cash at bank and in hand | | 178,049 | 89,518 |
| | | <u>905,944</u> | <u>902,103</u> |
| Creditors: amounts falling due within one year | 11 | (803,888) | (875,113) |
| Net current assets | | <u>102,056</u> | <u>26,990</u> |
| Total assets less current liabilities | | <u>129,009</u> | <u>61,160</u> |
| Creditors: amounts falling due after more than one year | 12 | - | (10,197) |
| Net assets | | <u>\$129,009</u> | <u>\$ 50,963</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 139,920 | 139,920 |
| Profit and loss reserves | | (10,911) | (88,957) |
| Shareholders' funds | 15 | <u>\$129,009</u> | <u>\$ 50,963</u> |

These financial statements were approved by the board of directors on 15 January 1996 and were signed on its behalf by:

K Phillips

Kathie J. Phillips

J Durbin
Directors

J. A. Durbin

The notes on pages 9 to 14 form part of these financial statements.

Prentke Romich Europe Limited

Cash flow statement for the year ended 30 September 1995

| | Notes | \$ | 1995 \$ | \$ | 1994 \$ |
|---|-----------|---------|------------------|----------|------------------|
| Net cash inflow from operating activities | 16 | | 96,110 | | 60,713 |
| <i>Returns on investments and servicing of finance</i> | | | | | |
| Interest paid | | (1,353) | | (1,306) | |
| Net cash outflows from returns on investments and servicing of finance | | | (1,353) | | (1,306) |
| <i>Taxation</i> | | | | | |
| UK corporation tax paid | | | (5,395) | | (4,938) |
| <i>Investing</i> | | | | | |
| Purchase of tangible fixed assets | | (2,991) | | (60,956) | |
| Sale of tangible fixed assets | | 2,160 | | 18,795 | |
| | | | (831) | | (42,161) |
| Increase in cash and cash equivalents | 17 | | \$ 88,531 | | \$ 12,308 |

The notes on pages 9 to 14 form part of these financial statements.

Prentke Romich Europe 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.

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 1995 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.

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 and fittings | - 25% per annum straight line |
| Tools 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. Deferred taxation is provided on all timing differences which are expected to reverse in the foreseeable future.

Prentke Romich Europe Limited

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:

| | 1995 \$ | 1994 \$ |
|----------------|--------------------|--------------------|
| United Kingdom | 674,246 | 722,306 |
| Rest of Europe | 885,313 | 561,461 |
| | <u>\$1,559,959</u> | <u>\$1,283,767</u> |

3 Interest payable and similar charges

| | \$ | \$ |
|--|------------------|-----------------|
| <i>Interest payable and similar charges:</i> | | |
| On bank overdraft | 1,353 | 1,306 |
| On all other loans | 44,380 | - |
| | <u>\$ 45,733</u> | <u>\$ 1,306</u> |

4 Profit on ordinary activities before taxation

| | \$ | \$ |
|---|--------|--------|
| <i>This is stated after charging:</i> | | |
| Auditors' remuneration | 4,875 | 4,500 |
| Depreciation of owned assets | 2,860 | 1,467 |
| Depreciation of assets held under hire purchase agreement | 6,133 | 6,466 |
| Management fee | 1,563 | - |
| Administrative charge | 20,547 | 25,037 |
| Exchange loss | 23,992 | 4,410 |

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

Prentke Romich Europe Limited

Notes (continued)

5 Employee information

The average number of employees of the company, including directors, was 8 (1994: 7).

| | 1995 | 1994 |
|--------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| <i>The costs of employment were:</i> | | |
| Wages and salaries | 83,576 | 68,047 |
| Social security costs | 3,562 | 4,315 |
| Other pension costs | 7,911 | 6,920 |
| | <u>\$ 95,049</u> | <u>\$ 79,282</u> |
| | <u><u> </u></u> | <u><u> </u></u> |

6 Taxation on profit on ordinary activities

| | 1995 | 1994 |
|------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Corporation tax at 25% | 26,000 | 7,000 |
| Over provision in prior year | (1,260) | - |
| | <u>\$ 24,740</u> | <u>\$ 7,000</u> |
| | <u><u> </u></u> | <u><u> </u></u> |

7 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.

Prentke Romich Europe Limited

Notes (continued)

8 Tangible assets

| | Fixtures, fittings, and equipment \$ | Motor vehicles \$ | Total \$ |
|------------------------|--|-------------------------|-------------|
| <i>Cost:</i> | | | |
| At 1 October 1994 | 10,454 | 25,612 | 36,066 |
| Additions | 2,991 | - | 2,991 |
| Disposals | (2,160) | - | (2,160) |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 1995 | 11,285 | 25,612 | 36,897 |
| | <hr/> | <hr/> | <hr/> |
| <i>Depreciation:</i> | | | |
| At 1 October 1994 | 1,896 | - | 1,896 |
| Charge for year | 2,860 | 6,133 | 8,993 |
| Disposals | (945) | - | (945) |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 1995 | 3,811 | 6,133 | 9,944 |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value:</i> | | | |
| At 30 September 1995 | \$ 7,474 | \$ 19,479 | \$ 26,953 |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 1994 | \$ 8,558 | \$ 25,612 | \$ 34,170 |
| | <hr/> | <hr/> | <hr/> |

The net book value of tangible fixed assets includes \$19,479 (1994: \$25,612) in respect of assets held under hire purchase agreements.

Depreciation charges in the year on these assets amounted to \$6,133 (1994: \$6,466).

9 Stocks

| | 1995 | 1994 |
|-------------------------------------|------------|------------|
| Finished goods and goods for resale | \$ 150,577 | \$ 150,475 |
| | <hr/> | <hr/> |

10 Debtors

| | \$ | \$ |
|-------------------------------------|------------|------------|
| Trade debtors | 108,200 | 89,090 |
| Amounts owed by group undertakings | 219,873 | 332,121 |
| Amounts owed by related undertaking | 249,245 | 231,430 |
| Other debtors | - | 9,469 |
| | <hr/> | <hr/> |
| | \$ 577,318 | \$ 662,110 |
| | <hr/> | <hr/> |

The related undertaking is Liberator Limited, of which Mr T Sutton is a director and the majority shareholder. Sales to group undertakings were \$377,751 (1994: \$240,988).

Prentke Romich Europe Limited

Notes (continued)

| | | |
|---|-------------------|-------------------|
| 11 Creditors: amounts falling due within one year | 1995 | 1994 |
| | \$ | \$ |
| Trade creditors | 10,878 | 14,128 |
| Amounts owed to group undertakings | 685,096 | 828,467 |
| Corporation tax | 26,000 | 6,655 |
| Other creditors including tax and social security | 5,020 | 179 |
| Hire purchase | 10,196 | 10,196 |
| Accruals and deferred income | 66,698 | 15,488 |
| | <u>\$ 803,888</u> | <u>\$ 875,113</u> |
| | <u><u></u></u> | <u><u></u></u> |
| Purchases from group undertakings were \$1,076,542 (1994: \$952,850). | | |
| 12 Creditors: amounts falling due after more than one year | | |
| Hire purchase | \$ - | \$ 10,197 |
| | <u></u> | <u></u> |
| 13 Obligations under hire purchase contracts | \$ | \$ |
| Amounts due within one year | 10,196 | 10,196 |
| Amounts due within two to five years | - | 10,197 |
| | <u>\$ 10,196</u> | <u>\$ 20,393</u> |
| | <u><u></u></u> | <u><u></u></u> |
| 14 Share capital | \$ | \$ |
| <i>Authorised:</i> | | |
| 500,000 ordinary shares of £1 each | 874,500 | 874,500 |
| | <u></u> | <u></u> |
| <i>Issued and fully paid:</i> | | |
| 80,000 ordinary shares of £1 each | 139,920 | 139,920 |
| | <u></u> | <u></u> |
| 15 Reconciliation of movements in shareholders' funds | \$ | \$ |
| Profit for the financial year | 78,046 | 23,850 |
| Opening shareholders' funds | 50,963 | 27,113 |
| | <u>\$ 129,009</u> | <u>\$ 50,963</u> |
| | <u><u></u></u> | <u><u></u></u> |

Prentke Romich Europe Limited

Notes (continued)

| | | | |
|----|--|------------------|------------------|
| 16 | Reconciliation of operating profit to net cash inflow from operating activities | 1995 | 1994 |
| | | \$ | \$ |
| | Operating profit | 148,519 | 32,156 |
| | Depreciation | 8,993 | 7,933 |
| | (Profit)/loss on sale of fixed assets | (945) | 5,857 |
| | Increase in stocks | (102) | (18,317) |
| | Decrease/(increase) in debtors | 84,792 | (123,065) |
| | (Decrease)/increase in creditors | (145,147) | 156,149 |
| | Net cash inflow from operating activities | <u>\$ 96,110</u> | <u>\$ 60,713</u> |

| | | | | |
|----|---|-------------------|-------------------|-------------------|
| 17 | Analysis of balances of cash and cash equivalent as shown in the balance sheet | | | |
| | | 1995 | 1994 | Change |
| | Cash at bank and in hand | \$ 178,049 | \$ 89,518 | \$ 88,531 |
| | | <u> </u> | <u> </u> | <u> </u> |

18 Capital commitments

There were no capital commitments at 30 September 1995 (1994: \$nil).

19 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.

20 Directors' interests

The company made sales of \$674,247 (1994: \$722,306) to Liberator Limited during the period. Mr T Sutton is a director and majority shareholder of this company. The sales were made on an arms length basis.