Prentke Romich International Limited

Financial statements

Registered number 2590367

30 September 2000

Financial statements

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2000.

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 which show an acceptable level of profitability despite difficult trading conditions. Our main focus for the next year is to spread the business across a wider customer base and to establish a UK retail branch of the company with effect from 1 January 2001.

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
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 22 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.

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

2 January 2001

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 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

2 January 2001

Profit and loss account
for the year ended 30 September 2000

	Notes	2000 $	1999 $
Turnover	2	**2,185,418**	2,461,021
Cost of sales		**(1,625,317)**	(1,813,705)
Gross profit		**560,101**	647,316
Administrative expenses		**(436,805)**	(468,318)
		123,296	178,998
Other operating income	3	**23,368**	11,263
Operating profit		**146,664**	190,261
Interest receivable and similar income	4	**2,598**	1,386
Interest payable and similar charges	5	**(807)**	(1,077)
Profit on ordinary activities before taxation	6	**148,455**	190,570
Taxation on profit on ordinary activities	8	**(28,900)**	(46,281)
Retained profit for the financial year		**119,555**	144,289
Profit brought forward		**690,317**	546,028
Retained profit carried forward		**809,872**	690,317

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

Balance sheet
at 30 September 2000

	Notes		**2000**		1999
		$	**$**	$	$
Fixed assets					
Tangible assets	*10*		**29,866**		31,457
Current assets					
Stocks	*11*	**235,221**		185,222	
Debtors	*12*	**518,042**		408,295	
Cash at bank and in hand		**298,817**		431,901	
		1,052,080		1,025,418	
Creditors: amounts falling due within one year	*13*	**(132,154)**		(226,638)	
Net current assets			**919,926**		798,780
Net assets			**949,792**		830,237
Capital and reserves					
Called up share capital	*14*		**139,920**		139,920
Profit and loss reserves			**809,872**		690,317
Shareholders' funds	*15*		**949,792**		830,237

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

Katie J. Phillips 02.01.01

K Phillips
Director

Cash flow statement
for the year ended 30 September 2000

	Notes	2000 $	1999 $
Cash flow from operating activities	*16*	**(73,515)**	335,675
Returns on investments and servicing of finance	*18*	**1,791**	309
Taxation		**(45,900)**	(69,881)
Capital expenditure and financial investment	*18*	**(10,077)**	(7,080)
Cash inflow before use of liquid resources and financing		**(127,701)**	259,023
Financing	*18*	**(5,383)**	(7,178)
(Decrease)/increase in cash	*17*	**(133,084)**	251,845

Reconciliation of net cash flow to movement in net funds

	Notes	$
Change in cash in the year		(133,084)
Cash outflow from changes in lease financing		5,383
Movement in net funds in year		(127,701)
Net funds at 1 October 1999		426,518
Net funds at 30 September 2000	*17*	**298,817**

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 2000 expressed in any currency other than US Dollars have been translated at the exchange rate of £1 : $1.55 *(1999: $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:

	2000 $	1999 $
United Kingdom	522,755	462,119
Rest of Europe	1,662,663	1,998,902
	2,185,418	2,461,021

3 Other operating income

	$	$
Management services	23,368	11,263

4 Interest receivable and similar income

	$	$
Bank interest	2,598	1,386

Notes *(continued)*

5 Interest payable and similar charges

	2000	1999
	$	$
On all other loans	**807**	1,077

6 Profit on ordinary activities before taxation

	$	$
This is stated after charging/(crediting):		
Auditors' remuneration - audit work	**12,400**	11,900
Depreciation of owned assets	**6,569**	4,226
Depreciation of assets held under hire purchase agreement	**4,100**	7,289
Management fee	**23,368**	11,263
Administrative charge	**38,399**	18,105
Exchange loss	**1,224**	34,647
Loss on sale of fixed assets	**999**	-

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 *(1999: 8)*.

	2000	1999
	$	$
The costs of employment were:		
Wages and salaries	**194,609**	241,832
Social security costs	**23,831**	23,775
Other pension costs	**19,442**	16,309
	237,882	281,916

Remuneration of directors

	$	$
Director's emoluments	**89,093**	157,169
Company contributions to money purchase pension schemes	**9,171**	9,034
	98,264	166,203

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

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

Notes *(continued)*

8 Taxation on profit on ordinary activities

	2000	1999
	$	$
Corporation tax at 20% *(1999: 31%)*	28,900	45,900
Under provision in prior year	-	381
	28,900	46,281

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 1999	21,098	32,093	53,191
Additions	10,077	-	10,077
Disposals	(1,859)	-	(1,859)
At 30 September 2000	29,316	32,093	61,409
Depreciation:			
At 1 October 1999	11,511	10,223	21,734
Charge for year	5,202	5,467	10,669
Disposals	(860)	-	(860)
At 30 September 2000	15,853	15,690	31,543
Net book value:			
At 30 September 2000	**13,463**	**16,403**	**29,866**
At 30 September 1999	9,587	21,870	31,457

The net book value of tangible fixed assets includes $nil *(1999: $21,870)* in respect of assets held under hire purchase agreements. Depreciation charges in the year on these assets, whilst held under hire purchase agreements, amounted to $4,100 *(1999: $7,289)*.

11 Stocks

	2000	1999
	$	$
Finished goods and goods for resale	235,221	185,222

Notes *(continued)*

12 Debtors

	2000 $	1999 $
Trade debtors	**146,097**	163,956
Amounts owed by group undertakings	**106,838**	76,303
Amounts owed by related undertaking	**247,419**	129,903
Other debtors	**17,688**	38,133
	518,042	408,295

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 $951,505 *(1999: $1,053,872).*

13 Creditors: amounts falling due within one year

	$	$
Trade creditors	**52,536**	30,396
Amounts owed to group undertakings	-	18,287
Corporation tax	**28,900**	45,900
Hire purchase contracts and finance leases	-	5,383
Accruals and deferred income	**50,718**	126,672
	132,154	226,638

Purchases from group undertakings were $1,499,208 *(1999: $1,627,853).*

14 Share capital

	$	$
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

15 Reconciliation of movements in shareholders' funds

	$	$
Profit for the financial year	**119,555**	144,289
Opening shareholders' funds	**830,237**	685,948
Closing shareholders' funds	**949,792**	830,237

Notes *(continued)*

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

	2000 $	1999 $
Operating profit	**146,664**	190,261
Depreciation	**10,669**	11,515
Loss on sale of fixed assets	**999**	-
Increase in stocks	**(49,999)**	(15,764)
(Increase)/decrease in debtors	**(109,747)**	121,544
(Decrease)/increase in creditors	**(72,101)**	28,119
Net cash (outflow)/inflow from operating activities	**(73,515)**	335,675

17 Analysis of changes in net funds

	At 1 Oct 99 $	Cash flows $	Other movements $	At 30 Sep 00 $
Cash at bank and in hand	431,901	(133,084)	-	**298,817**
Finance leases	(5,383)	5,383	-	**-**
Total	426,518	(127,701)	-	**298,817**

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

	2000 $	1999 $
Returns on investments and servicing of finance		
Interest received	**2,598**	1,386
Interest paid	**(807)**	(1,077)
Net cash inflow from returns on investments and servicing of finance	**1,791**	309
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(10,077)**	(7,080)
Net cash outflow for capital expenditure and financial investment	**(10,077)**	(7,080)
Financing		
Capital element of finance lease rental payments	**(5,383)**	(7,178)
Net cash outflow from financing	**(5,383)**	(7,178)

19 Capital commitments

There were no capital commitments at 30 September 2000 *(1999: $nil)*.

Notes *(continued)*

20 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.

21 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 £18,335 *(1999: £16,309)* payable by the company to the fund. There are no amounts payable at the year end *(1999: £nil).*

22 Directors' interests

The company made sales of $522,755 *(1999: $462,119)* and purchases of $60,158 *(1999: $110,605)* to/from Liberator Limited during the period. Mr T Sutton, who is the father of a director, Mrs K Phillips, is a director of Liberator Limited. The transactions were made on an arms length basis.