

G2 Design Limited

Directors' report and financial statements

30 June 1997

Registered number 2704165



Directors' report and financial statements

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Directors' report

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

Principal activities

The company's main activity is the exploitation of patent rights.

Business Review

The results for the year are shown on page 5.

On 26 June 1997 the company became a wholly owned subsidiary of Gyrus Medical Limited, a company registered in England and Wales.

Proposed dividend

The directors do not recommend the payment of a dividend (1996: £Nil).

Proposed transfer to reserves

The profit for the year retained in the company is £5,439 (1996: Loss £12,375).

Directors and directors' interests

The directors who held office during the year were as follows:

N M Goble
C C O Goble
L Rostron
H W Battock

The directors who held office at the end of the financial period had the following interest in the shares of the company as recorded in the register of directors' share interests.

	Class of share	30 June 1997 £	30 June 1996 £
N M Goble	Ordinary shares	-	3,050
C C O Goble	Ordinary shares	-	3,049

On 26 June 1997 the directors sold their entire holding to Gyrus Medical Limited.

The interests in the immediate parent company of Messrs Goble are shown in the directors' report of Gyrus Medical Limited.

Directors' report *(continued)*

Auditors

During the year, KPMG resigned as auditors of the company and KPMG Audit Plc were appointed to fill the casual vacancy arising.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



N M Goble
Director

Fortran Road
St Mellons
CARDIFF
CF3 0LT

21 April

1998

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 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 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 Audit Plc

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF2 1TE
United Kingdom

Report of the auditors to the members of G2 Design Limited

We have audited the financial statements on pages 5 to 9.

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 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

*Chartered Accountants
Registered Auditor*

23rd April 1998

Profit and loss account
for the year ended 30 June 1997

	<i>Note</i>	1997 £	1996 £
Turnover		6,898	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		6,898	-
Administrative expenses		(1,459)	(12,375)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	2	5,439	(12,375)
Tax on loss on ordinary activities	4	-	-
		<hr/>	<hr/>
Profit/(loss) for the year retained		5,439	(12,375)
		<hr/> <hr/>	<hr/> <hr/>

The above represents all the recognised gains and losses for both financial years.

Balance sheet
at 30 June 1997

	<i>Note</i>	1997 £		1996 £	£
Fixed assets					
Intangible assets	5		915		1,067
Current assets					
Debtors	6	862		12,750	
		<u>862</u>		<u>12,750</u>	
Creditors: amounts falling due within one year	7	(6,791)		(24,270)	
		<u>(6,791)</u>		<u>(24,270)</u>	
Net current liabilities			(5,929)		(11,520)
Net liabilities			(5,014)		(10,453)
			<u>(5,014)</u>		<u>(10,453)</u>
Capital and reserves					
Called up share capital	8	11,959			11,959
Profit and loss account		(16,973)			(22,412)
		<u>(16,973)</u>			<u>(22,412)</u>
Deficit on shareholders' funds	9	(5,014)			(10,453)
		<u>(5,014)</u>			<u>(10,453)</u>

These financial statements were approved by the board of directors on 21/4/98 and were signed on its behalf by:



N M Goble

Director

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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting under the historical cost convention and in accordance with applicable accounting standards. Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

The company has taken advantage of the exemption under Financial Reporting Standard 8 from the requirement to disclose transactions with related parties which are part of the same group.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Intangible assets

Expenditure on acquisition of patents and licences is capitalised and written off over the period in which income from such patents and licences is anticipated to arise.

Expenditure on maintenance of patents and licences is written off as it is incurred.

Income from royalties

Income from Royalties is included in the profit and loss account in the period in which it is earned.

2 Profit/(loss) on ordinary activities before taxation

	£	£
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Amortisation of intangible assets	152	3,812
Directors' emoluments	-	-
Auditors remuneration and expenses	1,292	940
	<hr/>	<hr/>

3 Staff numbers and costs

During the period the company had no employees other than the directors.

Notes (continued)

4 Taxation

Based on the company's taxable result for the period. There is no charge to UK corporation tax due to the availability of losses brought forward. The company has tax losses available to set off against future trading profits of approximately £5,000.

5 Intangible assets

	Patent £
Cost	
At beginning and end of year	6,099
	<hr/>
Amortisation	
At beginning of year	5,032
Charge for year	152
	<hr/>
At end of year	5,184
	<hr/>
Net book value at 30 June 1997	915
	<hr/> <hr/>
At 30 June 1996	1,067
	<hr/> <hr/>

6 Debtors

	1997 £	1996 £
Amounts owed by related third party	-	12,750
Amounts due from immediate parent company	862	-
	<hr/>	<hr/>
	862	12,750
	<hr/> <hr/>	<hr/> <hr/>

7 Creditors: amounts falling due within one year

	1997 £	1996 £
Accruals	940	940
Other creditors	-	12,750
Amounts owed to related third party	-	10,580
Amount owed to immediate parent company	5,851	-
	<hr/>	<hr/>
	6,791	24,270
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Called up share capital

	1997 £	1996 £
<i>Authorised, allotted and fully paid</i>		
Ordinary shares of £1 each	11,959	11,959
	<u>11,959</u>	<u>11,959</u>

9 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit/(loss) for the financial year	5,439	(12,375)
Opening balance on the shareholders' funds	(10,453)	1,922
	<u>(5,014)</u>	<u>(10,453)</u>
Closing balance on shareholders' funds	<u>(5,014)</u>	<u>(10,453)</u>

10 Capital commitments

There were no capital commitments at the balance sheet date.

11 Related party transactions

All expenses for the year have been dealt with through an inter-company account with Gyrus Medical Limited. No charges have been made by Gyrus Medical Limited for the services it has provided the company and no interest arises on the amount it owes to the company.

On 26 June 1997 the company's entire share capital was sold to Gyrus Medical Limited for a total consideration of £100,000. The consideration was in the form of unsecured loans to the existing shareholders.

The consideration was based on a valuation performed by an independent valuer.

During the year the company received £6,898 in royalties from Gyrus Medical Limited.

12 Immediate and ultimate parent company

On 26 June 1997 the entire ordinary share capital of the company was acquired by Gyrus Medical Limited. Accordingly, the immediate and ultimate parent company is Gyrus Medical Limited, which is incorporated in Great Britain and registered in England and Wales. The largest (and only) group in which the results of the company are consolidated is that headed by the immediate and ultimate parent company, whose financial statements are available to the public and may be obtained from the Company Secretary at Fortan Road, St Mellons, Cardiff, CF3 0LT.