

Cochlear Europe Limited

**Directors' report and consolidated
financial statements**

Registered number 3874867

30 June 2004



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the Independent Auditors to the members of Cochlear Europe Limited	4
Consolidated Profit and loss account	5
Consolidated Balance sheet	6
Company Balance sheet	7
Consolidated statement of total recognised gains and losses	8
Reconciliations of movements in shareholders' funds	8
Notes	9

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2004.

Principal activities

The group's principal activity is the sales and distribution of implantable hearing devices in Europe, the Middle East and Africa on behalf of its Australian parent, Cochlear Limited.

Business review

The region maintained a dominant market share of approximately 60%. Sales growth in the United Kingdom and Germany was well above the previous year, but other European countries were below targets. Reimbursement did not keep up with demand in many countries and large orders and tenders from developing countries of Central and Eastern Europe were down on the prior year. Consistent with Cochlear's objective of emphasising a better balance between healthcare professionals and recipients to get closer to the customer base in selected markets, the friendly acquisition of distributors in Benelux and France was concluded shortly after the year-end. This will enable Cochlear to increase its understanding of the market dynamics in these two potentially high-growth markets.

In addition during the period, Cochlear Europe Limited also acquired Cochlear Acoustics Limited, whose business is the fabrication, development and commercial trade, also of implantable hearing devices, further details of the acquisition are given in note 12 to the accounts.

Dividend

No dividend has been paid or proposed during the year (2003: £nil). The consolidated loss for the year retained in the group is £519,250 (2003 (restated): profit £538,091).

Directors and directors' interests

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

NJ Mitchell
DTM Ashton
RJ Brook

The directors who held office at the end of the financial year did not have any interests in the company but held the following interests in the Ordinary or Performance shares of the ultimate holding company, Cochlear Limited, incorporated in Australia, as recorded in the register of directors' share and debenture interests:

	Type of share	Interest at end of year <i>No. of shares</i>	Interest at start of year <i>No. of shares</i>
NJ Mitchell	Ordinary	15,000	30,000
NJ Mitchell	Performance	2,439	-
DTM Ashton	Performance	1,000	-
RJ Brook	Performance	3,350	-

Directors' report (*continued*)

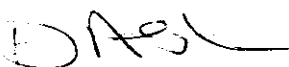
According to the register of directors' interests, no rights to subscribe for Ordinary shares in any group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year, except as indicated below:

Number of Cochlear Limited Ordinary Share options during the year				
	At 1 July 2003	Granted	Exercised	At 30 June 2004
NJ Mitchell	140,000	18,961	40,000	118,961
RJ Brook	-	26,046	-	26,046

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



DTM Ashton
Director

22/24 Worples Road
Wimbledon
London
SW19 4DD

25 April 2005

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 group and of the profit or loss for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 group and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors to the members of Cochlear Europe Limited

We have audited the financial statements on pages 5 to 18.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 1985. 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 group 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 group'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 affairs of the company and the group as at 30 June 2004 and of the loss for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

8 Salisbury Square
London EC4Y 8BB
25 April 2005

Consolidated Profit and loss account

for the year ended 30 June 2004

	<i>Note</i>	2004 £	2003 (restated) £
Turnover	3	39,479,428	36,591,086
Cost of sales		(26,405,716)	(24,722,910)
		<hr/>	<hr/>
Gross profit		13,073,712	11,868,176
Distribution expenses		(487,821)	(459,068)
Administrative expenses		(13,039,883)	(9,941,071)
		<hr/>	<hr/>
Operating (loss)/profit		(453,992)	1,468,037
Other interest receivable and similar income	7	-	5,253
Interest payable and similar charges	8	(390,543)	(399,737)
		<hr/>	<hr/>
(Loss)/Profit on ordinary activities before taxation		(844,535)	1,073,553
Tax on (loss)/profit on ordinary activities	9	(11,897)	(535,462)
		<hr/>	<hr/>
(Loss)/Profit on ordinary activities after taxation		(856,432)	538,091
Minority Interests		337,182	-
		<hr/>	<hr/>
Retained (loss)/profit for the financial year		(519,250)	538,091
		<hr/> <hr/>	<hr/> <hr/>

There is no difference between the results disclosed in the profit and loss account and the result on an historic cost basis. All transactions relate to continuing business operations.

The notes on pages 9 to 18 form part of these financial statements.


Consolidated Balance sheet

at 30 June 2004

	Note	£	2004 £	2003 (restated) £
Fixed assets				
Intangible assets	10		2,748,596	-
Tangible assets	11		209,577	170,640
Current assets				
Stock	13	4,420,715		4,346,146
Debtors	14	10,604,787		11,791,562
Cash at bank and in hand		1,591,621		3,519,469
		16,617,123		19,657,177
Creditors: amounts falling due within one year	15	(16,516,787)		(18,661,472)
Net current assets			100,336	995,705
Net assets			3,058,509	1,166,345
Capital and reserves				
Called up share capital	18		2	2
Profit and loss account	19		647,093	1,166,343
Shareholders' funds – equity			647,095	1,166,345
Minority interests	20		2,411,414	-
			3,058,509	1,166,345

The notes on pages 9 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on 25 April 2005 and were signed on its behalf by:



DTM Ashton
Director

Company Balance sheet

at 30 June 2004

	Note	2004	2003 (restated)
		£	£
Fixed assets			
Tangible assets	11	209,577	170,640
Investments	12	8,245,787	-
Current assets			
Stock	13	4,420,715	4,346,146
Debtors	14	10,579,469	11,791,562
Cash at bank and in hand		1,590,992	3,519,469
		<u>16,591,176</u>	<u>19,657,177</u>
Creditors: amounts falling due within one year	15	(16,423,178)	(18,661,472)
Net current assets		<u>167,998</u>	<u>995,705</u>
Total assets less current liabilities		<u>8,623,362</u>	<u>1,166,345</u>
Provisions for liabilities and charges	16	(6,964,722)	-
Net assets		<u>1,658,640</u>	<u>1,166,345</u>
Capital and reserves			
Called up share capital	18	2	2
Profit and loss account	19	1,658,638	1,166,343
Shareholders' funds – equity		<u>1,658,640</u>	<u>1,166,345</u>

The notes on pages 9 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on 25 April 2005 and were signed on its behalf by:



DTM Ashton
Director

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2004

	2004 £	2003 (restated) £
(Loss)/profit for the financial year (restated)	(519,250)	538,091
Total recognised gains and losses relating to the financial year	(519,250)	538,091
Prior year adjustment (as explained in note 2)	(740,487)	
Total gains and losses recognised since last financial statements	(1,259,737)	

Reconciliations of movements in shareholders' funds
for the year ended 30 June 2004

	Group		Company	
	2004 £	Restated 2003 £	2004 £	Restated 2003 £
(Loss)/profit for the financial year	(519,250)	538,091	492,295	538,091
Opening shareholders' funds	1,166,345	628,254	1,166,345	628,254
Closing shareholders' funds	647,095	1,166,345	1,658,640	1,166,345

The group and company shareholders' funds at the beginning of the year, as previously reported, were £1,906,832 (2002: £872,400), before the prior year adjustment.

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 group's financial statements with the exception as described in note 2 following the adoption of Financial Reporting Standard No. 5 Application Note G "Revenue Recognition". The comparatives have been restated accordingly.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules and on a going concern basis. The accounts have been prepared in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 30 June 2004. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Cashflow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements which contain a cashflow statement.

Investments in subsidiary undertakings

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment.

Intangible fixed assets

The fair value of intellectual property has been capitalised and recorded at its fair value at the time of contribution. The asset will be amortised on a straight-line basis over a period of three years following the commercial release of the product to which the intellectual property relates.

Tangible fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings, tools and equipment	-	3 to 8 years
---	---	--------------

Stocks

Stocks are valued at the lower of cost and net realisable value.

Research and development expenditure

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

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the result for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Leases

All leases are accounted for as 'operating leases' as the company has no leases that entail the company taking substantially all the risks and rewards of ownership of the assets. The rental charges on operating leases are charged to the profit and loss account as incurred.

Pension costs

The company makes payments for eligible employees into external defined contribution schemes that are taken to the profit and loss account in the period to which they relate.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services during the year.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Related parties

As the company is a wholly owned subsidiary of Cochlear Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Cochlear Limited, within which this company is included, can be obtained from the address given in note 24.

2 Prior period adjustment

In November 2003, the Accounting Standards Board issued Financial Reporting Standard 5: Application Note G (Revenue Recognition), which the Group has adopted for the first time in preparing these statements. The policy sets out guidance for accounting for "vouchers", where these are redeemable against future purchases.

Notes (continued)

2 Prior period adjustment (continued)

Prior to the implementation of FRS 5: Application Note G, the Group accounted for vouchers by recognising in full the consideration received and accruing a cost of sale for the standard cost of the free unit. Under FRS 5: Application Note G, the sales value equivalent to the fair value of the unit is deferred until such a point as the voucher is redeemed. This has resulted in an adjustment to prior year reserves and a restatement of comparative figures.

The impact to the profit and loss account as reported for the year ended 30 June 2003 is a reduction in turnover of £966,096 and cost of sales of £469,755. This has resulted in a net reduction in profits for the year of £496,341. There is also an impact on brought forward reserves at 1 July 2003 of £244,146. This results in a net increase in accruals and deferred income of £740,487 at 30 June 2003, with a corresponding total decrease in reserves.

3 Group Turnover

By destination:	2004 £	2003 (restated) £
UK & Eire	7,530,836	6,831,253
Benelux, Nordic and South Africa	7,513,819	5,843,518
Middle East	1,799,484	1,376,371
Mediterranean and Israel	13,140,228	13,954,065
Germany and Austria	8,388,405	6,175,880
Central and Eastern Europe	1,106,656	2,409,999
	<u>39,479,428</u>	<u>36,591,086</u>
By origin:	2004 £	2003 (restated) £
UK	<u>39,479,428</u>	<u>36,591,086</u>

All of the company's profit before interest and tax arises in the UK. All of the company's net assets are located in the UK and arise from a single activity.

4 (Loss)/profit on ordinary activities before taxation

	2004 £	2003 £
<i>(Loss)/profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Group		
Audit	27,000	18,000
Taxation	9,000	1,200
Depreciation	100,579	74,103
Rentals payable under operating leases		
- Plant and machinery	5,457	23,364
- Other operating leases	144,115	144,115
Research and Development Expenditure	1,285,406	-
Foreign exchange loss / (gain)	563,286	(1,106,144)
	<u></u>	<u></u>

Of the group audit fee and tax advisor's fees £29,750 related to the Company.

Notes (continued)

5 Remuneration of directors

	2004 £	2003 £
Directors emoluments	90,500	258,276
Compensation for loss of office	-	111,565
Pension contributions	4,175	26,033
	<u>94,675</u>	<u>395,874</u>

As at 30 June 2004, the number of Directors for whom benefits were accruing under defined contribution schemes was 1 (2003: 3).

During the year remuneration costs for 2 directors (2003: 1) were borne by another group company (Cochlear Limited and Cochlear AG)

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	2004 No.	2003 No.
Clinical and technical	10	8
Research and development	1	-
Administration	15	16
Sales and marketing	10	12
	<u>36</u>	<u>36</u>

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	1,808,388	1,638,766
Social security costs	215,605	199,980
Other pension costs (see note 22)	69,414	70,687
	<u>2,093,407</u>	<u>1,909,433</u>

7 Other interest receivable and similar income - group

	2004 £	2003 £
Other interest receivable and similar income	-	5,253
	<u>-</u>	<u>5,253</u>

Notes (continued)

8 Interest payable and similar charges - group

	2004	2003
	£	£
Amounts payable on bank loans and overdrafts	202,979	224,483
Amounts payable to group undertakings	187,564	175,254
	<u>390,543</u>	<u>399,737</u>

9 Taxation

Analysis of charge in year:	2004	2003
	£	£
<i>UK corporation tax</i>		
Current tax on income for the period	-	542,383
Adjustments in respect of prior periods	2,538	-
Deferred tax	9,359	(6,921)
	<u>11,897</u>	<u>535,462</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2003: higher) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below:

	2004	2003 (restated)
	£	£
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(844,535)	1,073,553
	<u>(253,361)</u>	<u>322,066</u>
Current tax at 30% (2003: 30%)	(253,361)	322,066
<i>Effects of:</i>		
Expenses not deductible for tax purposes	83,738	66,563
Tax effect of prior year accounting adjustment	(222,146)	148,902
Other short term timing differences	(3,317)	-
Depreciation for period in excess of capital allowances	5,633	2,314
Losses carried forward	389,453	-
Prior year adjustment	2,538	2,538
	<u>2,538</u>	<u>542,383</u>
Total current tax charge (see above)	<u>2,538</u>	<u>542,383</u>

There is an unrecognised net deferred tax asset of £389,453 relating to carried forward losses which has not been recognised due to uncertainty over its recoverability.

10 Intangible fixed assets

Group

	£
<i>Cost</i>	
At 1 July 2003	-
Additions	2,748,596
	<hr/>
At 30 June 2004	2,748,596
	<hr/>
<i>Net book value:</i>	
At 30 June 2004	2,748,596
	<hr/> <hr/>
At 30 June 2003	-
	<hr/> <hr/>

The intangible asset represents intellectual property provided by Phonak Holding AG as their contribution towards Cochlear Acoustics Limited. It will be amortised on a straight-line basis over a period of three years following the commercial release of the product to which the intellectual property relates and is subject to annual impairment reviews.

11 Tangible fixed assets

Group and company

	Fixtures, fittings, tools and equipment £
<i>Cost</i>	
At 1 July 2003	402,141
Additions	140,806
Disposals	(1,290)
	<hr/>
At 30 June 2004	541,657
	<hr/>
<i>Depreciation</i>	
At 1 July 2003	231,501
Charge for the year	100,865
On disposals	(286)
	<hr/>
At 30 June 2004	332,080
	<hr/>
<i>Net book value:</i>	
At 30 June 2004	209,577
	<hr/> <hr/>
At 30 June 2003	170,640
	<hr/> <hr/>

Notes (continued)

12 Fixed Asset Investments

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Interest in subsidiary undertaking	-	-	8,245,787	-

The undertakings in which the Company's interest at the year end is more than 20% and which are included in the consolidated accounts is as follows:

Company Name	Country of Incorporation	Principal Activity	Class and Percentage of Shares Held
Cochlear Acoustics Limited	England and Wales	Development of implantable hearing devices	Ordinary 75%

Cochlear Acoustics Limited (CAL) was incorporated on 29 May 2003 as Continental Shelf 271 Limited. On 8 August 2003 it changed its name to Cochlear Acoustics Limited. On 4 July 2003 Cochlear Europe Limited and Phonak Holding AG entered into an agreement to acquire 75% and 25% of the ordinary share capital of CAL. The shares were acquired for their nominal value of £1 each, and given the share capital represented the entire net assets of CAL, no goodwill arose on acquisition. The acquisition was accounted for by the acquisition method of accounting.

13 Stock

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Finished goods and goods for resale	4,420,715	4,346,146	4,420,715	4,346,146

14 Debtors

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	9,252,931	10,879,044	9,252,931	10,879,044
Other debtors	824,523	621,906	823,091	621,906
Prepayments and accrued income	274,406	255,379	250,520	255,379
Corporation tax	227,053	-	227,053	-
Deferred tax asset (see note 17)	25,874	35,233	25,874	35,233
	10,604,787	11,791,562	10,579,469	11,791,562

Notes (continued)

15 Creditors: amounts falling due within one year

	2004	Group	2004	Company
	£	2003 (restated)	£	2003 (restated)
		£		£
Bank loans and overdrafts	4,500,000	4,500,000	4,500,000	4,500,000
Trade creditors	123,461	443,053	106,537	443,053
Amounts owed to group undertakings	8,874,537	10,713,289	8,874,537	10,713,289
Other taxes and social security	58,364	374,652	48,716	374,652
Other creditors	1,508	3,821	1,508	3,821
Accruals and deferred income (restated see note 2)	2,958,917	2,626,657	2,891,880	2,626,657
	<u>16,516,787</u>	<u>18,661,472</u>	<u>16,423,178</u>	<u>18,661,472</u>

The bank loans are guaranteed by the ultimate holding company and are repayable upon demand. Interest is chargeable on a semi-annual basis at 0.5% above LIBOR.

Interest is charged at 2.5%-4% per annum on loans and on amounts owed to group undertakings.

16 Provisions for liabilities and charges

	Company	
	2004	2003
	£	£
At 1 July 2003	-	-
Provision for intercompany payable	8,245,787	-
Paid during the year	(1,281,065)	-
At 30 June 2004	<u>6,964,722</u>	<u>-</u>

The intercompany payable represents the capital contribution payable to Cochlear Acoustics Limited. Under the terms of the shareholders' agreement, the Company is committed to fund Cochlear Acoustics Limited up to a maximum of €12million (£8,245,787). At 30 June 2004 €1,864,319 (£1,281,065) has been contributed. Management's current assessment is that it is probable that the full amounts will be contributed.

17 Deferred tax

The elements of deferred taxation are as follows:

	Group	Company
	2004	2003
	£	£
Difference between accumulated depreciation and capital allowances	14,191	2,810
Other timing differences	11,683	32,423
Deferred tax asset (see note 14)	<u>25,874</u>	<u>35,233</u>

There is also an unrecognised deferred tax asset of £389,453. See note 9.

Notes (continued)

18 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

19 Reserves

	Group Profit and loss account £	Company Profit and loss account £
At 1 July 2003 (as originally reported)	1,906,830	1,906,830
Prior year adjustment	(740,487)	(740,487)
	<hr/>	<hr/>
At 1 July 2003 (as restated)	1,166,343	1,166,343
Retained (loss)/profit for the year	(519,250)	492,297
	<hr/>	<hr/>
At 30 June 2004	647,093	1,658,640
	<hr/>	<hr/>

20 Minority interests

	2004 £	Group 2003 £
At 1 July 2003	-	-
Acquisition of subsidiary undertaking	2,748,596	-
Retained share of loss for the year	(337,182)	-
	<hr/>	<hr/>
At 30 June 2004	2,411,414	-
	<hr/>	<hr/>

21 Commitments (group and company)

Annual commitments under non-cancellable operating leases for the group and company are as follows:

	Land and buildings 2004 £	Other 2004 £	Land and buildings 2003 £	Other 2003 £
Operating leases which expire:				
Within one year	-	-	-	2,769
In the second to fifth years Inclusive	144,115	5,925	144,115	16,373
	<hr/>	<hr/>	<hr/>	<hr/>
	144,115	5,925	144,115	19,142
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

22 Pension Scheme

The Group and Company make contributions to certain employees personal pension schemes. The charge made to the Group's profit and loss account in the period under review was £69,414 (2003: £70,687). The charge made to the Company's profit and loss account in the period under review was £58,832 (2003: £70,687). At the end of the year, no contributions were outstanding for either the Group or Company (2003: nil).

23 Related parties

The following is a summary of those transactions and balances between the group and related parties, which are other Cochlear group companies, which are required to be disclosed under Financial Reporting Standard No. 8.

	2004 £
Administrative expenses – Cochlear AG	850,349
Administrative expenses – Cochlear Technology Centre	400,997
	<hr/>

Amounts due to and from other group undertakings are disclosed in notes 14 and 15.

During the year Cochlear Europe Limited funded Cochlear Acoustics Limited (its 75% subsidiary) via Cochlear AG, another group company

Phonak Holding AG contributed intellectual property to Cochlear Acoustics Limited of £2,748,596, which is included within intangibles. This represents Phonak's contribution to the operations of the company.

24 Post Balance Sheet Events

On 1 July 2004 the Company completed the acquisition of Cochlear Holdings NV for a total consideration of £42,115. On the same date Cochlear Holdings NV completed the acquisition of Miaki BV for £4,591,975. On 1 November 2004 the Company completed the acquisition of Cochlear Holdings France SAS for a total consideration of £26,828. On the same date Cochlear Holdings France SAS completed the acquisition of Newmedic International SAS for £2,797,950. The companies acquired are distributor companies and the acquisitions are consistent with Cochlear's objective of emphasising a better balance between healthcare professionals and recipients to get closer to the customer base in selected markets

25 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Cochlear Limited and this is the largest and smallest group into which Cochlear Europe Limited is consolidated, which is incorporated in Australia, the consolidated accounts of which are available to the public and may be obtained from: 12 Mars Road, Lane Cove, Sydney, NSW 2066, Australia.