



**SUNTECH MEDICAL GROUP  
LIMITED AND ITS SUBSIDIARY  
UNDERTAKINGS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2003**

**SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS**

**FINANCIAL STATEMENTS**

For the year ended 31 December 2003

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Company registration number: 4038252

Registered office: Laytons  
Carmelite  
50 Victoria Embankment  
Blackfriars  
London  
EC4Y 0LS

Directors: J K Laurie  
M S Lawson  
R R Woolley  
D C McBee

Secretary: R Willcock

Bankers: HSBC Bank Plc  
65 Cornmarket Street  
Oxford  
OX1 3HY  
England

RBC Centura  
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Suite 700  
Raleigh  
NC 27604  
USA

Solicitors: Laytons  
Carmelite  
50 Victoria Embankment  
Blackfriars  
London  
EC4Y 0LS

Auditors: Grant Thornton  
Registered auditors  
Chartered accountants  
1 Westminster Way  
Oxford  
OX2 0PZ

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## FINANCIAL STATEMENTS

For the year ended 31 December 2003

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# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## CHAIRMAN'S STATEMENT

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I am pleased to present this, the third Annual Report and Accounts for SunTech Medical Group Limited (SMG). I would also like to update you on what has proved to be a further year of solid progress on all fronts for your company, which is very well reflected in the financial results reported here.

As always I draw your attention to the fact that, because most of our company operations are domiciled in the United States and transactions take place primarily in US dollars, the exchange rate plays a significant part when reporting the results in pounds sterling. The average rate for 2003 was £1 = \$1.64 and in 2002 it was £1 = \$1.51. The dollar weakened considerably in the last part of the year however which is not fully reflected in the average rate used to report the full year trading results. The year end closing rate, which is used to translate the Balance Sheet, was £1 = \$1.77 (2002: £1 = \$1.60).

Notwithstanding the impact of a weakening dollar, the results for the second half of the year exhibited further growth over those I reported to you for the first six months. Consolidated sales in the latter period were £3.0 million, up 11.6% over the first half. Full year sales of £5.6 million (2002: £4.5 million) showed an increase of 26.7% over the previous year. Measured in dollar terms to remove the effect of the declining exchange rate, the increase was 38.1% year on year. Operating profit at £931,000 was up 64.2% over the previous year (2002: £567,000). Measured in dollars, the increase was 78.8%. Operating profit for the second half year of £520,000 was a 26.5% improvement on that achieved in the first half, even though we incurred some additional one-off costs in relocating our US operations during this latter period. The operating profit margin continued to improve in 2003 and for the full year was 16.5% of sales (2002: 12.7%). For the final time I am able to report a very low consolidated tax charge of £34,000 for the year (2002: £6,000), reflecting the continued availability of brought forward Federal and State tax losses in the US. However, three good years of profits have now all but used these up and future profitable trading will necessarily reflect a much higher tax charge.

Turning to the Balance Sheet, as always we have paid particular attention to our working capital management. I reported at the half year that the Board had approved an increase in certain inventory holding levels to improve customer service response times. Overall holdings at the end of the year were £618,000, (2002: £471,000), up 31.2% but within the revised approved parameters. Trade debtors at £795,000 were 7.3 weeks of sales and were actually lower than the previous year end (2002: £842,000), although last years number reflected very high billings in the final month of the year, a pattern not repeated in 2003 when sales were more evenly spread over the last quarter. SMG generated £749,000 of cash in the year (2002: £90,000) leaving it with a closing cash surplus of £1.2 million (2002: £571,000). Nearly all of the Group's assets are, however, held in US dollars and, as I noted in my opening remarks, the dollar weakened considerably in the last part of the year. The translation of the dollar denominated assets held by our US subsidiaries gave rise to an unrealised translation loss for the year of £189,000 (2002: £137,000 loss), which is shown in the Statement of Total Recognised Gains and Losses.

More detailed information on business progress during the last twelve months is contained in the accompanying Review of Operations. In addition to operational matters, your Board is focusing its attention on ways in which the excellent growth achieved in the last three years can be sustained or improved on and we are in the final stages of completing a new three year business plan to address this. Part of the answer is continued organic growth of our existing core product lines. In support of this, our R&D spending increased to £636,000 for the year (2002: £496,000), up 28.2%. Investment in our organisation is another major area of focus and we are increasing our spending on training and development together with continuing to seek to hire well qualified employees in key areas of the business. As always seems to be the case, good people are hard to find. While turnover of existing staff is pleasingly low, we are finding that newly created positions are difficult to fill and this problem is, we believe, currently the largest brake on our ability to grow SMG at a rate commensurate with the market and new business opportunities we are identifying. This issue, together with a number of other matters identified as critical to our continued success, is receiving significant attention.

The current trading year has again started well. At the end of March our order book stood at \$3.1 million, with order intake in the first 3 months up 24% over the comparative period last year. Results for the first three months of the year were ahead of budget and the outlook is generally very positive, although we have found it necessary to revise our internal reporting to take account of a further weakening of the US dollar since our budgets were prepared. If maintained, this will again have an impact on our reported results for 2004 when compared with previous periods.

In conclusion, both on my own behalf and also that of the Board, I would like to thank all our employees whose hard work and commitment have again resulted in such a satisfactory set of financial results for your company.

J K Laurie  
*Chairman*

30 March 2004

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## REVIEW OF OPERATIONS

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### Sales & Marketing

I am happy to report that, once again, we achieved sales and profit growth in all three of our blood pressure (BP) monitoring product groups (Ambulatory BP [ABP], Stress BP and OEM modules). Sales in the Americas increased by 58% in 2003 and comprised 67% of our total (up from 62% last year). Sales to the Far East again showed significant improvement with a 41% increase over 2002 and comprise 8% of total sales. Sales into Europe and the Middle East increased by 9% for the year and now make up 25% of total sales

Each of our product groups experienced significant sales growth for the year with ABP leading the way with a 52% increase. Within this overall category, sales of OEM branded ABP products, and the success of our new *Oscar PowerPack* system in particular, were the primary forces in driving the growth. OEM BP module sales also showed significant improvement with an increase of 49% over 2002. Our *Advantage* series of modules continues to have a strong market appeal in all of our sales territories. Rounding out the product groups, our *Tango* Stress BP product continues to dominate the world-wide market and exhibited sales growth of 19% for the year.

### New Products

Our Engineering and Product Development team concentrated their efforts this year on existing product performance improvements and a new and innovative BP cuff, the *Orbit* series. The *Orbit* development is a result of an intensive effort to simplify the application of BP cuffs and represents a truly innovative solution, which we are in the process of patenting. Our team spent considerable effort on increasing the performance of our *Tango* system in 2003 and the increase in sales this year is a direct result of the product's improvement. Additionally, a cost reduction effort on *Tango* began in 2003 and will be completed in 2004. Performance improvements to our *Advantage* OEM BP module, along with custom solutions for new OEM customers completes the current development portfolio. Our Medical Advisory Board, established in 2002, has provided us with expert clinical guidance on our product development efforts. New products scheduled for launch in 2004 include the cost reduced *Tango*, and a new BP monitor targeted for the European stress test markets.

### Operations

In August 2003 we moved our US operations to new and larger premises (18,000 square feet) in the neighbouring town of Morrisville, approximately five miles from our old facility. The interruption to our operations was minimal and with our steady growth, we are rapidly consuming the additional space. We have an option on additional adjacent space which will likely be exercised later this year. As part of our commitment for continual improvement, additional staff were added in 2003 to supplement our Quality Assurance and Regulatory expertise.

### Production

Our Production group has continued to improve both in terms of efficiency and quality. We implemented a program to reduce delivery times of both finished devices as well as custom OEM orders. These efforts, combined with the skilled actions of our assembly, test, and logistics groups provided a noticeable improvement in customer service and customer satisfaction.

### The Future

The market acceptance of our established product groups remains strong. In 2004, we expect to see further increases in both sales and profits from our established Stress BP, ABP and OEM BP product groups. Additionally, 2004 will be the first revenue year for our new BP cuffs product group, which, we anticipate, will provide significant income in the future. Our continual improvement theme will be carried forward into 2004 with a focus on customer service and product innovation. We are well positioned to make 2004 another record year and we are confident in achieving this.

Dayn McBee  
Chief Executive Officer

30 March 2004

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year to 31 December 2003.

### Principal activity

The group is principally engaged in the sale of medical instruments.

### Business review

There was a profit for the year after taxation amounting to £902,000 (2002: £564,000). The directors do not recommend the payment of a dividend.

### Directors

The present membership of the Board is set out below. The interests of the directors and their families in the shares of the company as at 31 December 2003 and 31 December 2002 were as follows:

	Ordinary shares of 10p each		Share Options	
	2003	2002	2003	2002
J K Laurie	125,871	109,468	-	-
M S Lawson	9,677	5,950	-	-
R R Woolley	9,887	6,160	-	-
D C McBee	11,100	1,100	90,000	87,500

### Directors' responsibilities for the financial statements

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 of the company for that period. In preparing those financial statements, the directors are required to:

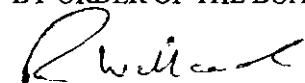
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

A resolution to reappoint Grant Thornton as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



R Willcock  
Company Secretary

30 March 2004

# **SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the group are set out below.

### **TURNOVER**

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold buildings	2%
Plant and machinery	15%
Fixtures, fittings and equipment	20-50%
Motor vehicles	15%

### **LEASED ASSETS**

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

### **INVESTMENTS**

Investments are included at cost.

### **STOCKS**

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

### **DEFERRED TAXATION**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### **FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Fixed assets purchased in foreign currencies are retranslated at each balance sheet date. All other exchange differences are dealt with through the profit and loss account.

### **RESEARCH AND DEVELOPMENT**

Research and development expenditure is charged to profits in the period in which it is incurred.

### **CONTRIBUTIONS TO DEFINED CONTRIBUTION PENSION SCHEMES**

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

**SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS****CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2003

	Note	2003 £000	2002 £000
Turnover	1	5,647	4,456
Cost of sales		<u>(2,061)</u>	<u>(1,737)</u>
Gross profit		3,586	2,719
Other operating charges	2	<u>(2,655)</u>	<u>(2,152)</u>
<b>Operating profit</b>		931	567
Net interest receivable	3	<u>5</u>	<u>3</u>
<b>Profit on ordinary activities before taxation</b>	1	936	570
Tax on profit on ordinary activities	5	<u>(34)</u>	<u>(6)</u>
<b>Profit retained and transferred to reserves</b>	13	<u>902</u>	<u>564</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2003 £000	2002 £000
Profit for the financial year:	902	564
Currency translation loss on foreign currency net investment	<u>(189)</u>	<u>(137)</u>
<b>Total recognised gains and losses relating to year</b>	<u>713</u>	<u>427</u>

The accompanying accounting policies and notes form an integral part of these financial statements.



# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

BALANCE SHEETS AT 31 DECEMBER 2003

	Note	2003 £000	Group 2002 £000	2003 £000	Company 2002 £000
<b>Fixed assets</b>					
Tangible assets	7	349	242	-	-
Investments	8	5	5	560	543
		<u>354</u>	<u>247</u>	<u>560</u>	<u>543</u>
<b>Current assets</b>					
Stocks	9	618	471	-	-
Debtors	10	863	904	-	8
Cash at bank and in hand		1,237	571	-	-
		<u>2,718</u>	<u>1,946</u>	<u>-</u>	<u>8</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(448)</u>	<u>(282)</u>	<u>(444)</u>	<u>(435)</u>
<b>Net current assets/(liabilities)</b>		<u>2,270</u>	<u>1,664</u>	<u>(444)</u>	<u>(427)</u>
<b>Total assets less current liabilities</b>		<u>2,624</u>	<u>1,911</u>	<u>116</u>	<u>116</u>
		<u>2,624</u>	<u>1,911</u>	<u>116</u>	<u>116</u>
<b>Capital and reserves</b>					
Called up share capital	12	116	116	116	116
Profit and loss account	13	2,508	1,795	-	-
<b>Shareholders' funds</b>	14	<u>2,624</u>	<u>1,911</u>	<u>116</u>	<u>116</u>

The financial statements were approved by the Board of Directors on 30 March 2004

J K Laurie  
Director



The accompanying accounting policies and notes form an integral part of these financial statements.

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
<b>Net cash inflow from operating activities</b>	15		969		219
<b>Returns on investments and servicing of finance</b>					
Interest received		4		5	
Interest paid		-		(2)	
<b>Net cash inflow from returns on investments and servicing of finance</b>			4		3
<b>Taxation</b>			(7)		(10)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(225)		(40)	
Sale of tangible fixed assets		8		-	
<b>Net cash outflow from capital expenditure and financial investment</b>			(217)		(40)
<b>Net cash inflow before financing</b>			749		172
<b>Financing</b>					
Repayment of loan		-		(82)	
<b>Net cash outflow from financing</b>			-		(82)
<b>Increase in cash</b>			749		90

The accompanying accounting policies and notes form an integral part of these financial statements.

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation is attributable to the sale of medical instruments.

The profit on ordinary activities before taxation is stated after:

	2003 £000	2002 £000
Auditors' remuneration:		
Audit services	13	15
Non-audit services	5	9
Depreciation:		
Tangible fixed assets owned	63	52
Loss on sale of fixed assets	14	-
Operating lease rentals	77	63
Research and development expenditure	<u>636</u>	<u>496</u>

### 2 OTHER OPERATING CHARGES

	2003 £000	2002 £000
Administration expenses	2,721	2,200
Other operating income	<u>(66)</u>	<u>(48)</u>
	<u>2,655</u>	<u>2,152</u>

### 3 NET INTEREST

	2003 £000	2002 £000
On bank loans and overdrafts	-	2
Interest receivable	<u>(5)</u>	<u>(5)</u>
	<u>(5)</u>	<u>(3)</u>

### 4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2003 £000	2002 £000
Wages and salaries	1,903	1,546
Social security costs	149	130
Other pension costs	<u>42</u>	<u>41</u>
	<u>2,094</u>	<u>1,717</u>

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

### 4 DIRECTORS AND EMPLOYEES (CONTINUED)

The average number of employees of the group during the year was:

	2003 Number	2002 Number
Production	29	23
Administration	23	20
	<u>52</u>	<u>43</u>

Remuneration in respect of directors was as follows:

	2003 £000	2002 £000
Emoluments	139	109
Pension contributions to money purchase pension schemes	2	2
	<u>141</u>	<u>111</u>

In both years one director participated in a money purchase pension scheme.

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the period and represents:

	2003 £000	2002 £000
Corporation tax at 19% (2002: 20%)	2	3
Overseas tax	32	4
Adjustments in respect of prior year	-	(1)
	<u>34</u>	<u>6</u>

Factors affecting the tax charge for the period:

	2003 £000	2002 £000
Profit on ordinary activities	936	570
Multiplied by the standard rate of corporation tax in the UK of 19% (2002: 20%)	178	114
Effects of:		
Use of tax losses	(158)	(110)
Expenses not deductible for taxation purposes	14	3
Adjustments to tax charge in respect of previous periods	-	(1)
Current tax charge for period	<u>34</u>	<u>6</u>

There is a potential deferred tax asset of £49,000 (2002: £408,000) not recognised on the grounds of the limited trading history of the group to date.

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

### 6 PROFIT FOR THE FINANCIAL PERIOD

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £nil (2002: £nil).

### 7 TANGIBLE FIXED ASSETS

The group	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At 1 January 2003	99	124	245	18	486
Additions	-	25	170	13	208
Exchange rate differences	(10)	(12)	(19)	(2)	(43)
Disposals	-	-	(77)	(17)	(94)
At 31 December 2003	89	137	319	12	557
<b>Depreciation</b>					
At 1 January 2003	1	60	166	17	244
Provided in the year	5	18	38	2	63
Exchange rate differences	(1)	(8)	(15)	(2)	(26)
Eliminated on disposal	-	-	(57)	(16)	(73)
At 31 December 2003	5	70	132	1	208
<b>Net book amount at 31 December 2003</b>	<b>84</b>	<b>67</b>	<b>187</b>	<b>11</b>	<b>349</b>
31 December 2002	98	64	79	1	242

### 8 FIXED ASSETS INVESTMENTS

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
<b>Cost</b>				
At 1 January 2003	5	543	-	116
Additions	-	17	5	427
At 31 December 2003	5	560	5	543

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

### 8 FIXED ASSETS INVESTMENTS (CONTINUED)

At 31 December 2003 the group held interests in the following subsidiaries:

Name	Country of incorporation	Class of share capital held	Proportion held by		Nature of business
			parent company	the group	
Suntech Medical Inc (formerly Suntech Medical Instruments Inc)	USA	Common stock		100%	Sale of medical instruments
Suntech Medical Ltd (formerly Suntech Medical Instruments Ltd)	England and Wales	Ordinary	100%		Sale of medical instruments
Suntech Medical (USA) Inc	USA	Common stock	100%		Dormant
Newport Technology Inc	USA	Common stock		100%	Dormant
Suntech Software Systems Inc	USA	Common stock		100%	Dormant
Suntech EB Trustee Limited	UK	Ordinary	100%		Dormant

### 9 STOCKS

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Raw materials and consumables	285	-	236	-
Work in progress	102	-	89	-
Finished goods and goods for resale	231	-	146	-
	<u>618</u>	<u>-</u>	<u>471</u>	<u>-</u>

### 10 DEBTORS

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Trade debtors	795	-	842	-
Amounts owed by group undertakings	-	-	-	8
Amounts owed by related undertakings	5	-	5	-
Prepayments and accrued income	42	-	29	-
Other debtors	21	-	28	-
	<u>863</u>	<u>-</u>	<u>904</u>	<u>8</u>

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

### 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Trade creditors	143	-	128	-
Amounts owed to group undertakings	-	444	-	435
Amounts owed to related undertakings	6	-	3	-
Corporation tax	26	-	3	-
Other taxation and social security	9	-	8	-
Accruals and deferred income	258	-	134	-
Other creditors	6	-	6	-
	<u>448</u>	<u>444</u>	<u>282</u>	<u>435</u>

### 12 SHARE CAPITAL

	2003 £000	2002 £000
Authorised		
100,000,000 Ordinary shares of 10p each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
1,159,481 Ordinary shares of 10p each	<u>116</u>	<u>116</u>

### 13 PROFIT AND LOSS ACCOUNT

	Group £000
At 1 January 2003	1,795
Exchange adjustment	(189)
Profit for the year	902
At 31 December 2003	<u>2,508</u>

### 14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Exchange adjustment	(189)	-	(137)	-
Profit for financial year	902	-	564	-
Shareholders' funds at 1 January 2003	1,911	116	1,484	116
Shareholders' funds at 31 December 2003	<u>2,624</u>	<u>116</u>	<u>1,911</u>	<u>116</u>

# SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

### 15 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £000	2002 £000
Operating profit	931	567
Depreciation	63	52
Loss on sale of fixed assets	14	-
Increase in stocks	(185)	(1)
Increase in debtors	(8)	(429)
Increase in creditors	161	82
Exchange adjustments	(7)	(52)
Net cash inflow from operating activities	<u>969</u>	<u>219</u>

### 16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £000	2002 £000
Increase in cash in period	749	90
Effect of foreign exchange charges	(83)	(19)
Movement in net funds in the year	<u>666</u>	<u>71</u>
Net funds at 1 January 2003	<u>571</u>	<u>500</u>
Net funds at 31 December 2003	<u>1,237</u>	<u>571</u>

### 17 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2003 £000	Cash flow £000	Exchange movement £000	At 31 December 2003 £000
Cash in hand and at bank	<u>571</u>	<u>749</u>	<u>(83)</u>	<u>1,237</u>

### 18 PENSIONS

The company operates defined contribution pension schemes for the benefit of eligible employees. The assets of the schemes are administered by trustees in funds independent from those of the group.

### 19 LEASING COMMITMENTS

Operating lease payments are due within one year as set out below. The leases to which these amounts relate expire as follows:

	2003 Land and buildings £000	2003 Other £000	2002 Land and buildings £000	2002 Other £000
In one year or less	-	1	-	-
Between one and five years	-	11	56	8
Over five years	<u>93</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>93</u>	<u>12</u>	<u>56</u>	<u>8</u>



# **SUNTECH MEDICAL GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2003

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### **20 RELATED PARTY TRANSACTIONS**

During the year the group undertook transactions with NDSL Group Limited and its subsidiaries, a group related by being under common ownership and control.

The group incurred charges in respect of building rental and administration services of £44,000 (2002: £44,000) during the year and received income in respect of the same matters of £33,000 (2002: £23,000).

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SUNTECH MEDICAL GROUP LIMITED**

We have audited the financial statements of Suntech Medical Group Limited for the period ended 31 December 2003 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 the directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 company is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's statement, the Review of operations and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

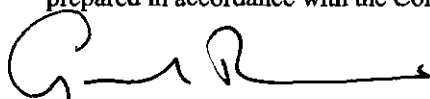
### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 the affairs of the company and the group as at 31 December 2003 and of the profit for the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
OXFORD**

12 May 2004