

PEACOCKS ORTHOTICS LIMITED
FINANCIAL STATEMENTS
31st MAY 2004

Company Registration Number 04199223



JOSEPH MILLER & CO
Chartered Accountants
Newcastle upon Tyne

PEACOCKS ORTHOTICS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2004

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PEACOCKS ORTHOTICS LIMITED
COMPANY INFORMATION

Directors	J.C. Peacock A.J. Hansell D.W.N. Ferguson
Company secretary	A.J. Hansell
Registered office	Unit C1 Benfield Business Park Benfield Road Newcastle upon Tyne NE6 4NR
Auditors	Joseph Miller & Co Chartered Accountants & Registered Auditors Scottish Provident House 31 Mosley Street Newcastle upon Tyne NE1 1HX
Bankers	Lloyds TSB plc 102 Grey Street Newcastle upon Tyne NE99 1SL

PEACOCKS ORTHOTICS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31st MAY 2004

The directors present their report and the financial statements of the company for the year ended 31st May 2004.

Principal activities and business review

The principal activity of the company during the period was the supply of orthotic services and products.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The directors and their interests in shares of the company

The directors who served the company during the year were as follows:

J.C. Peacock
A.J. Hansell
D.W.N. Ferguson

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PEACOCKS ORTHOTICS LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st MAY 2004

Auditors

A resolution to re-appoint Joseph Miller & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors

A handwritten signature in black ink, appearing to be 'A.J. Hansell', written over a horizontal line.

A.J. HANSELL
Company Secretary

Approved by the directors on 6th December 2004

PEACOCKS ORTHOTICS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PEACOCKS ORTHOTICS LIMITED
YEAR ENDED 31st MAY 2004

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

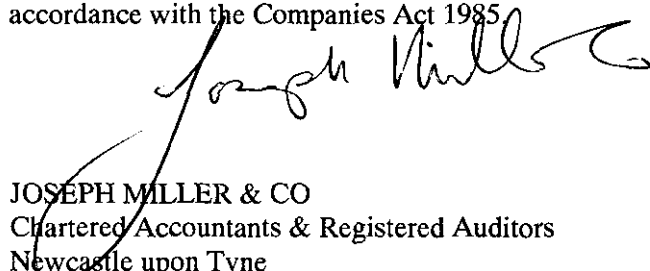
Basis of audit opinion

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 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 31st May 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



JOSEPH MILLER & CO
Chartered Accountants & Registered Auditors
Newcastle upon Tyne

6th December 2004

PEACOCKS ORTHOTICS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st MAY 2004

	Note	2004 £	2003 £
Turnover	2	3,890,279	3,730,458
Cost of sales		(2,952,641)	(2,932,269)
Gross profit		937,638	798,189
Administrative expenses		(902,325)	(878,006)
Other operating income		6,952	5,066
Operating profit/(loss)	3	42,265	(74,751)
Interest receivable		67	-
Interest payable	6	(75)	(278)
Profit/(loss) on ordinary activities before taxation		42,257	(75,029)
Tax on profit/(loss) on ordinary activities		-	-
Retained profit/(loss) for the financial year		42,257	(75,029)
Balance brought forward		40,010	115,039
Balance carried forward		82,267	40,010

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 7 to 11 form part of these financial statements.

PEACOCKS ORTHOTICS LIMITED

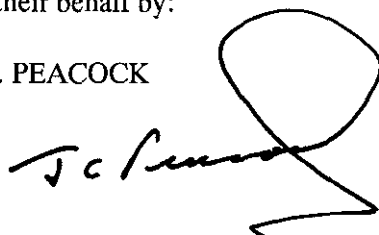
BALANCE SHEET

31st MAY 2004

	Note	£	2004 £	2003 £
Fixed assets				
Tangible assets	7		7,295	9,588
Current assets				
Stocks	8	329,789	329,236	
Debtors	9	938,695	1,122,210	
Cash in hand		—	182	
		1,268,484	1,451,628	
Creditors: Amounts falling due within one year	10	1,193,511	1,421,205	
Net current assets			74,973	30,423
Total assets less current liabilities			82,268	40,011
Capital and reserves				
Called-up equity share capital	14		1	1
Profit and loss account			82,267	40,010
Shareholders' funds	15		82,268	40,011

These financial statements were approved by the directors on the 6th December 2004 and are signed on their behalf by:

J.C. PEACOCK



The notes on pages 7 to 11 form part of these financial statements.

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2004

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The financial statements do not include a statement of cash flow because the company, as a wholly owned subsidiary is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 "Statement of cash flow". The group financial statements are available as outlined in note 16.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer equipment - 20% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2004	2003
	£	£
United Kingdom	<u>3,890,279</u>	<u>3,730,458</u>

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2004

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2004	2003
	£	£
Depreciation	3,093	1,095
Auditors' remuneration - as auditors	<u>7,000</u>	<u>7,000</u>

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Number of production staff	66	62
Number of administrative staff	10	10
Number of management staff	<u>2</u>	<u>2</u>
	<u>78</u>	<u>74</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	1,387,663	1,428,100
Social security costs	112,394	114,900
Other pension costs	<u>62,114</u>	<u>63,913</u>
	<u>1,562,171</u>	<u>1,606,913</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2004	2003
	£	£
Emoluments receivable	47,160	46,687
Value of company pension contributions to money purchase schemes	<u>5,120</u>	<u>4,935</u>
	<u>52,280</u>	<u>51,622</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004	2003
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

6. Interest payable and similar charges

	2004	2003
	£	£
Interest payable on bank borrowing	<u>75</u>	<u>278</u>

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2004

7. Tangible fixed assets

	Computer equipment
	£
Cost	
At 1st June 2003	10,950
Additions	800
At 31st May 2004	<u>11,750</u>
Depreciation	
At 1st June 2003	1,362
Charge for the year	3,093
At 31st May 2004	<u>4,455</u>
Net book value	
At 31st May 2004	<u>7,295</u>
At 31st May 2003	<u>9,588</u>

8. Stocks

	2004	2003
	£	£
Stock	249,674	222,263
Work in progress	80,115	106,973
	<u>329,789</u>	<u>329,236</u>

9. Debtors

	2004	2003
	£	£
Trade debtors	797,663	823,789
Amounts owed by group undertakings	139,436	296,825
Prepayments and accrued income	1,596	1,596
	<u>938,695</u>	<u>1,122,210</u>

10. Creditors: Amounts falling due within one year

	2004	2003
	£	£
Bank loans and overdrafts	12,569	5,872
Trade creditors	199,873	244,122
Amounts owed to group undertakings	886,105	1,066,366
Other taxation and social security	86,149	94,420
Accruals and deferred income	8,815	10,425
	<u>1,193,511</u>	<u>1,421,205</u>

The company's bank overdraft facilities are secured by a debenture over its assets and guaranteed by other members of the Peacocks Medical Group Limited group of companies.

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2004

10. Creditors: Amounts falling due within one year *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2004	2003
	£	£
Bank loans and overdrafts	<u>12,569</u>	<u>—</u>

11. Commitments under operating leases

At 31st May 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 1 year	—	8,257
Within 2 to 5 years	<u>17,722</u>	<u>19,857</u>
	<u>17,722</u>	<u>28,114</u>

12. Contingencies

At 31st May 2004 there were contingent liabilities in respect of bank overdraft facilities granted to Peacocks Medical Group Limited amounting to £510,572 (2003 : £357,692), Peacocks Direct Sales Limited of £nil (2003 : £13,522).and Peacocks Surgical and Medical Limited of £3,118 (2003 : £nil)

13. Related party transactions

The company is a wholly owned subsidiary of Peacocks Medical Group Limited, which is under the control of the trustees of the J.R.Peacock No. 1 and 2 settlements who hold 73.96% of the company's share capital. There were no transactions during the period between the company and the trustees.

The accounts do not include disclosure of transactions between the company and entities that are part of the Peacock Medical Group Limited group of companies. This is because as a subsidiary whose shares are 100% controlled within the group, it is exempt from the requirement to disclose such transactions under Financial Reporting Standard 8 "Related Party Disclosures".

There were no other related party transactions during the year.

14. Share capital

Authorised share capital:

	2004	2003
	£	£
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2004		2003
	No	£	No
	£		£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2004

15. Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit/(Loss) for the financial year	42,257	(75,029)
Opening shareholders' equity funds	40,011	115,040
Closing shareholders' equity funds	<u>82,268</u>	<u>40,011</u>

16. Ultimate parent company

The ultimate parent company is Peacocks Medical Group Limited incorporated in England and Wales.

The Peacock Medical Group Limited financial statements may be obtained from Unit C1, Benfield Business Park, Benfield Road, Newcastle upon Tyne, NE6 4NQ.