

PEACOCKS ORTHOTICS LIMITED
FINANCIAL STATEMENTS
31st MAY 2003

Company Registration Number 04199223



JOSEPH MILLER & CO
Chartered Accountants
Newcastle upon Tyne

PEACOCKS ORTHOTICS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31st MAY 2003

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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 2003

The directors present their report and the financial statements of the company for the year ended 31st May 2003.

Principal activities and business review

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

The results for the period are entirely in line with expectations and 2003 is expected to reflect continued growth in the provision of these 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 2003

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 dark ink, appearing to be 'A.J. Hansell', written in a cursive style.

A.J. HANSELL
Company Secretary

Approved by the directors on 23rd January 2004

PEACOCKS ORTHOTICS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31st MAY 2003

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 the directors and the auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

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. Our responsibilities do not extend to any other information.

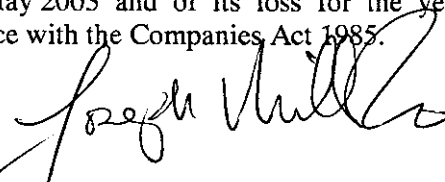
Basis of audit opinion

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 2003 and of its loss 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

23rd January 2004

PEACOCKS ORTHOTICS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st MAY 2003

	Note	Year to 31 May 03 £	Period from 12 Apr 01 to 31 May 02 £
Turnover	2	3,730,458	3,962,569
Cost of sales		(2,932,269)	(2,873,404)
Gross profit		798,189	1,089,165
Administrative expenses		(878,006)	(973,970)
Other operating income		5,066	—
Operating (loss)/profit	3	(74,751)	115,195
Interest payable	6	(278)	(156)
(Loss)/profit on ordinary activities before taxation		(75,029)	115,039
Tax on (loss)/profit on ordinary activities		—	—
(Loss)/retained profit for the financial year		(75,029)	115,039
Balance brought forward		115,039	—
Balance carried forward		40,010	115,039

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 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Tangible assets	7		9,588		7,733
Current assets					
Stocks	8	329,236		269,390	
Debtors	9	1,122,210		954,103	
Cash in hand		182		1,414	
		<u>1,451,628</u>		<u>1,224,907</u>	
Creditors: Amounts falling due within one year	10	<u>(1,421,205)</u>		<u>(1,117,600)</u>	
Net current assets			<u>30,423</u>		<u>107,307</u>
Total assets less current liabilities			<u>40,011</u>		<u>115,040</u>
Capital and reserves					
Called-up equity share capital	14		1		1
Profit and loss account			<u>40,010</u>		<u>115,039</u>
Shareholders' funds	15		<u>40,011</u>		<u>115,040</u>

These financial statements were approved by the directors on the 23rd January 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 2003

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 loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	Year to 31 May 03	Period from 12 Apr 01 to 31 May 02
	£	£
United Kingdom	3,730,458	3,962,569

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2003

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	Year to 31 May 03 £	Period from 12 Apr 01 to 31 May 02 £
Depreciation of owned fixed assets	1,095	267
Auditors' remuneration - as auditors	<u>7,000</u>	<u>3,000</u>

4. Particulars of employees

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

	Year to 31 May 03 No	Period from 12 Apr 01 to 31 May 02 No
Number of production staff	62	50
Number of administrative staff	10	10
Number of management staff	<u>2</u>	<u>2</u>
	<u>74</u>	<u>62</u>

The aggregate payroll costs of the above were:

	Year to 31 May 03 £	Period from 12 Apr 01 to 31 May 02 £
Wages and salaries	1,428,100	1,330,320
Social security costs	114,900	112,700
Other pension costs	<u>63,913</u>	<u>71,924</u>
	<u>1,606,913</u>	<u>1,514,944</u>

5. Directors' emoluments

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

	Year to 31 May 03 £	Period from 12 Apr 01 to 31 May 02 £
Emoluments receivable	46,687	45,024
Value of company pension contributions to money purchase schemes	<u>4,935</u>	<u>5,289</u>
	<u>51,622</u>	<u>50,313</u>

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2003

5. Directors' emoluments *(continued)*

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

	Year to 31 May 03 No	Period from 12 Apr 01 to 31 May 02 No
Money purchase schemes	<u>1</u>	<u>1</u>

6. Interest payable

	Year to 31 May 03 £	Period from 12 Apr 01 to 31 May 02 £
Interest payable on bank borrowing	<u>278</u>	<u>156</u>

7. Tangible fixed assets

	Computer equipment £
Cost	
At 1st June 2002	8,000
Additions	2,950
At 31st May 2003	<u>10,950</u>
Depreciation	
At 1st June 2002	267
Charge for the year	1,095
At 31st May 2003	<u>1,362</u>
Net book value	
At 31st May 2003	<u>9,588</u>
At 31st May 2002	<u>7,733</u>

8. Stocks

	2003 £	2002 £
Stock	222,263	180,487
Work in progress	106,973	88,903
	<u>329,236</u>	<u>269,390</u>

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2003

9. Debtors

	2003	2002
	£	£
Trade debtors	823,789	807,035
Amounts owed by group undertakings	296,825	145,472
Prepayments and accrued income	1,596	1,596
	<u>1,122,210</u>	<u>954,103</u>

10. Creditors: Amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	5,872	91,033
Trade creditors	244,122	144,226
Amounts owed to group undertakings	1,066,366	782,931
Other taxation and social security	94,420	92,486
Accruals and deferred income	10,425	6,924
	<u>1,421,205</u>	<u>1,117,600</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.

11. Commitments under operating leases

At 31st May 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	8,257	—
Within 2 to 5 years	19,857	18,704
	<u>28,114</u>	<u>18,704</u>

12. Contingencies

At 31st May 2003 there were contingent liabilities in respect of bank overdraft facilities granted to Peacocks Medical Group Limited amounting to £357,692 (2002 : £210,892) and Peacocks Direct Sales Limited of £13,522 (2002 : £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.

PEACOCKS ORTHOTICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MAY 2003

14. Share capital

Authorised share capital:

	2003	2002
	£	£
50,000 Ordinary shares of £1 each	50,000	50,000

Allotted, called up and fully paid:

	2003	2002
	No	No
	£	£
Ordinary shares of £1 each	1	1

15. Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
(Loss)/Profit for the financial year	(75,029)	115,039
New equity share capital subscribed	-	1
Net (reduction)/addition to funds	(75,029)	115,040
Opening shareholders' equity funds	115,040	-
Closing shareholders' equity funds	40,011	115,040

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.