

LINVATEC (UK) LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2001



LINVATEC (UK) LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and the financial statements for the year ended 31 December 2001.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

Results and dividends

The profit for the year after taxation, amounted to £145,002 (2000 - £470,897) .

No payment of dividend is recommended.

Principal activities and review of business

The company's principal activity during the period was the supply of medical equipment.

The directors are satisfied with the result for the year. The company has continued to expand its range of products, and the directors are confident that the business will increase in profitability.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were :

	Ordinary shares of £1 each	
	<u>2001</u>	<u>2000</u>
J J Corasanti	-	-
E R Corasanti	-	-

The directors beneficial holding in the group are disclosed in the notes to the accounts of the ultimate parent company (per note 18 to the accounts)

Auditors

The auditors, Horwath Clark Whitehill, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 4/23/02 and signed on its behalf.

J J Corasanti
Director



INVESTOR IN PEOPLE

**HORWATH
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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF LINVATEC (UK) LIMITED**



We have audited the financial statements of Linvatec (UK) Limited for the year ended 31 December 2001 on pages 3 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting standards are set out on page 1.

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 the 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 opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Unqualified opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill

Chartered Accountants & Registered Auditors

24 April 2002

LINVATEC (UK) LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER	1,2	9,456,622	7,472,223
Cost of sales		<u>(6,644,519)</u>	<u>(4,877,237)</u>
GROSS PROFIT		2,812,103	2,594,986
Selling and distribution costs		<u>(1,220,114)</u>	<u>(741,207)</u>
Administrative expenses		<u>(1,366,500)</u>	<u>(1,187,429)</u>
OPERATING PROFIT	3	225,489	666,350
Interest receivable	5	7,447	7,707
Interest payable	6	<u>(781)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		232,155	674,057
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	<u>(87,153)</u>	<u>(203,160)</u>
RETAINED PROFIT FOR THE YEAR		145,002	470,897
RETAINED PROFIT BROUGHT FORWARD		1,316,462	845,565
RETAINED PROFIT CARRIED FORWARD		<u>£ 1,461,464</u>	<u>£ 1,316,462</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2001 or 2000 other than those included in the profit and loss account.

The notes on pages 7 to 12 form part of these financial statements.

LINVATEC (UK) LIMITED

BALANCE SHEET
As at 31 December 2001

	Note	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible fixed assets	8		231,711		151,448
CURRENT ASSETS					
Stocks	9	1,105,305		724,607	
Debtors	10	1,380,386		1,534,744	
Cash at bank and in hand		116		160,737	
		<u>2,485,807</u>		<u>2,420,088</u>	
CREDITORS: amounts falling due within one year	11	<u>(1,256,052)</u>		<u>(1,255,072)</u>	
NET CURRENT ASSETS			<u>1,229,755</u>		<u>1,165,016</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 1,461,466</u>		<u>£ 1,316,464</u>
CAPITAL AND RESERVES					
Called up share capital	12		2		2
Profit and loss account			<u>1,461,464</u>		<u>1,316,462</u>
SHAREHOLDERS' FUNDS - All equity	13		<u>£ 1,461,466</u>		<u>£ 1,316,464</u>

The financial statements were approved by the board on

4/27/02

and signed on its behalf.

E R Corasanti *Ernest Corasanti* Director

The notes on pages 7 to 12 form part of these financial statements.

CASH FLOW STATEMENT
For the year ended 31 December 2001

	Note	£	2001 £	£	2000 £
Net cash inflow from operating activities (Page 6)			91,542		399,087
Returns on investments and servicing of finance	14		6,666		7,707
Taxation			(159,836)		(359,770)
Capital expenditure and financial investment	14		(138,100)		(121,805)
 Cash outflow before use of liquid resources and financing			<u>(199,728)</u>		<u>(74,781)</u>
 Financing:	14				
Increase in debt			-		-
 Decrease in cash in the period			<u>£ (199,728)</u>		<u>£ (74,781)</u>

The notes on pages 7 to 12 form part of these financial statements.

CASH FLOW STATEMENT INFORMATION
For the year ended 31 December 2001

	Note	£	2001 £	£	2000 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES					
Operating profit			225,489		666,350
Depreciation of tangible fixed assets			57,837		16,720
Decrease/(increase) in debtors			154,358		(136,502)
Increase in stocks			(380,698)		(482,968)
Increase in creditors			34,556		335,487
Net cash inflow from operating activities			£ 91,542		£ 399,087
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
	14				
Decrease in cash in the period			(199,728)		(74,781)
Change in net debt resulting from cash flows			(199,728)		(74,781)
Net debt at 1 January 2001			160,737		235,518
Net debt at 31 December 2001			£ (38,991)		£ 160,737

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold buildings	-	Period of lease
Office equipment	-	25-33% straight line

1.4 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.5 Stocks

Samples and loan stocks are valued at cost, less amortisation on a straight line basis over five years. Spares stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.
Cost includes all direct costs, transportation and duties.

1.6 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.7 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.8 Pensions

The company does not operate a company pension scheme. For the employees the company makes contributions on their behalf to individual personal pension plans. The company's share of contributions is charged against profits as they arise.

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the company being the supply of medical equipment.

All turnover arose within the United Kingdom

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

3. OPERATING PROFIT

The operating profit is stated after charging:

	2001 £	2000 £
Depreciation of tangible fixed assets		
- owned by the company	57,837	16,720
Audit fees	8,250	7,500
Auditors' remuneration - non-audit services	8,740	7,787
Operating lease rentals		
- other	95,689	33,158
Foreign exchange differences	232,051	398,354

No director received any emoluments (2000 - £Nil)

The operating profit is stated after crediting:

Adjustment in amortisation of stock (Note 9)	134,497	-
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4. STAFF COSTS

Staff costs were as follows:

	2001 £	2000 £
Wages and salaries	1,145,806	754,266
Social security costs	116,713	76,722
Other pension costs	86,170	71,779
	<u>£ 1,348,689</u>	<u>£ 902,767</u>

The average monthly number of employees, during the year was as follows:

	2001	2000
Sales	14	11
Repairs	9	3
Administration	10	6
	<u>33</u>	<u>20</u>

5. INTEREST RECEIVABLE

	2001 £	2000 £
Other interest receivable	<u>£ 7,447</u>	<u>£ 7,707</u>

6. INTEREST PAYABLE

	2001 £	2000 £
On other loans	<u>£ 781</u>	<u>£ -</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

7. TAXATION

	2001 £	2000 £
UK Corporation tax		
Current tax on income for the period	82,000	203,160
Adjustments in respect of prior periods - corporation tax	5,153	-
	<u>£ 87,153</u>	<u>£ 203,160</u>

8. TANGIBLE FIXED ASSETS

	Short Term Leasehold Land & Buildings £	Fixtures & Equipment £	Total £
Cost or valuation			
At 1 January 2001	119,528	62,681	182,209
Additions	53,873	84,227	138,100
At 31 December 2001	<u>173,401</u>	<u>146,908</u>	<u>320,309</u>
Depreciation			
At 1 January 2001	7,827	22,934	30,761
Charge for year	31,964	25,873	57,837
At 31 December 2001	<u>39,791</u>	<u>48,807</u>	<u>88,598</u>
Net Book Value			
At 31 December 2001	<u>£ 133,610</u>	<u>£ 98,101</u>	<u>£ 231,711</u>
At 31 December 2000	<u>£ 111,701</u>	<u>£ 39,747</u>	<u>£ 151,448</u>

9. STOCKS

	2001 £	2000 £
Goods for resale	1,026,765	724,607
Spares	78,540	-
	<u>£ 1,105,305</u>	<u>£ 724,607</u>

Goods for resale consist of items held for demonstration purposes and loans. They are amortised on a straight line basis over five years, being an estimate of the maximum period over which they remain in a saleable condition. The period of amortisation was previously three years and therefore an exceptional adjustment of £134,497 was necessary to reflect the change. This adjustment is included as a reduction in cost of sales for the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

10. DEBTORS

	2001 £	2000 £
Due within one year		
Trade debtors	1,296,904	1,472,499
Other debtors	11,787	11,750
Prepayments and accrued income	71,695	50,495
	<u>£ 1,380,386</u>	<u>£ 1,534,744</u>

11. CREDITORS:

Amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	39,107	-
Trade creditors	51,233	7,246
Amounts owed to group undertakings	710,731	841,747
Corporation tax	40,707	113,390
Social security and other taxes	364,219	207,338
Accruals and deferred income	50,055	85,351
	<u>£ 1,256,052</u>	<u>£ 1,255,072</u>

12. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised		
1,000 ordinary shares of £1 each	<u>£ 1,000</u>	<u>£ 1,000</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>£ 2</u>	<u>£ 2</u>

13. SHAREHOLDERS' FUNDS

Reconciliation of movements on shareholders' funds

	2001 £	2000 £
Profit for the year	145,002	470,897
Opening shareholders' funds	<u>1,316,464</u>	<u>845,567</u>
Closing shareholders' funds	<u>£ 1,461,466</u>	<u>£ 1,316,464</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

14. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest received	7,447	7,707
Interest paid	(781)	-
Net cash inflow for returns on investments and servicing of finance	<u>£ 6,666</u>	<u>£ 7,707</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(138,100)	(121,805)
Net cash outflow for capital expenditure	<u>£ (138,100)</u>	<u>£ (121,805)</u>

15. ANALYSIS OF NET DEBT

	At 1 Jan 2001 £	Cash flow £	Other changes £	At 31 Dec 2001 £
Net cash:				
Cash at bank and in hand	160,737	(160,621)		116
Bank overdrafts	-	(39,107)		(39,107)
	<u>160,737</u>	<u>(199,728)</u>		<u>(38,991)</u>
Debt:				
	-	-	-	-
Net debt	<u>£ 160,737</u>	<u>£ (199,728)</u>	<u>£ -</u>	<u>£ (38,991)</u>

16. OTHER COMMITMENTS

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2001 £	2000 £
Expiry date:		
Between 2 and 5 years	-	17,700
In more than 5 years	60,900	60,900

17. RELATED PARTIES

During the year the company made purchases from the parent company amounting to £6,902,468 (2000 - £5,392,918).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

18. PARENT COMPANY

The ultimate parent company is CONMED Corporation, a company registered in New York, USA. A copy of that company's accounts can be obtained from CONMED Corporation, 310 Broad Street, Utica, New York 13501, USA.