

**LINVATEC (UK) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2004**



**LINVATEC (UK) LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

J J Corasanti  
E R Corasanti

**SECRETARY**

J Corasanti

**COMPANY NUMBER**

3535936

**REGISTERED OFFICE**

73/74 Shrivenham Hundred Business Park  
Shrivenham  
Swindon  
Wiltshire  
SN6 8TY

**AUDITORS**

*Horwath Clark Whitehill LLP*  
Chartered Accountants & Registered Auditors  
Carrick House  
Lypiatt Road  
Cheltenham  
Gloucestershire  
GL50 2QJ

**DIRECTORS' REPORT**  
**For the year ended 31 December 2004**

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The directors present their report and the financial statements for the year ended 31 December 2004.

**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;
- 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.

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

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

The directors are satisfied with the results 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.

**RESULTS AND DIVIDENDS**

*The profit for the year, after taxation, amounted to £320,633 (2003 - £200,645) .*

The directors do not recommend the payment of a dividend.

**DIRECTORS**

The directors who served during the year were:

J J Corasanti

E R Corasanti

The directors beneficial holdings in the group are disclosed in the notes to the accounts of the ultimate parent company, CONMED Corporation.

No rights to subscribe for shares in the company were issued or granted to the directors during the year.

**DIRECTORS' REPORT**  
**For the year ended 31 December 2004**

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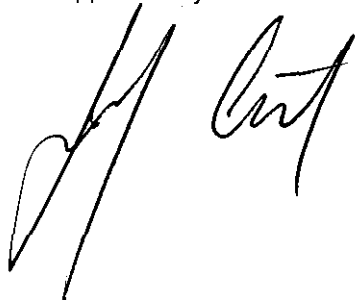
**AUDITORS**

Following the transfer of substantially all of the business of Horwath Clark Whitehill to a limited liability partnership on 1 April 2004, Horwath Clark Whitehill resigned and the directors appointed their successor, Horwath Clark Whitehill LLP, as auditors.

Horwath Clark Whitehill LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

This report was approved by the board on *4/27/05* and signed on its behalf.

Director



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

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We have audited the financial statements of Linvatec (UK) Limited for the year ended 31 December 2004 set out on pages 4 to 13. These financial statements 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 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 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.

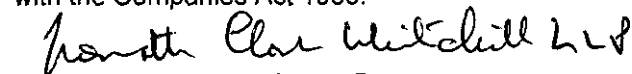
**BASIS OF AUDIT OPINION**

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.

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



**Horwath Clark Whitehill LLP**

Chartered Accountants

Registered Auditors

Carrick House

Lypiatt Road

Cheltenham

Gloucestershire

GL50 2QJ

28 April 2005

**LINVATEC (UK) LIMITED**

**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2004

	Note	2004 £	2003 £
<b>TURNOVER</b>	1, 2	<b>13,320,354</b>	12,244,792
Cost of sales		<u>(10,122,077)</u>	<u>(9,378,756)</u>
<b>GROSS PROFIT</b>		<b>3,198,277</b>	2,866,036
Selling and distribution costs		<u>(1,593,369)</u>	<u>(1,377,722)</u>
Administrative expenses		<u>(1,034,588)</u>	<u>(983,528)</u>
<b>OPERATING PROFIT</b>	3	<b>570,320</b>	504,786
Interest receivable		<u>3,955</u>	<u>2,284</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>574,275</b>	507,070
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	5	<b>(253,642)</b>	(306,425)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>320,633</b>	200,645
<b>RETAINED PROFIT BROUGHT FORWARD</b>		<u><b>1,881,580</b></u>	<u>1,680,935</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u><b>2,202,213</b></u>	<u><b>1,881,580</b></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2004 or 2003 other than those included in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

LINVATEC (UK) LIMITED

**BALANCE SHEET**  
As at 31 December 2004

	Note	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	6	1,546,720	1,766,982
<b>CURRENT ASSETS</b>			
Stocks	7	129,950	116,806
Debtors	8	1,972,946	1,501,868
Cash at bank and in hand		353	76,476
		<u>2,103,249</u>	<u>1,695,150</u>
<b>CREDITORS:</b> amounts falling due within one year	9	<u>(1,371,754)</u>	<u>(1,504,550)</u>
<b>NET CURRENT ASSETS</b>		<u>731,495</u>	<u>190,600</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,278,215</u>	<u>1,957,582</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	10	<u>(76,000)</u>	<u>(76,000)</u>
<b>NET ASSETS</b>		<u><u>2,202,215</u></u>	<u><u>1,881,582</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	2	2
Profit and loss account		<u>2,202,213</u>	<u>1,881,580</u>
<b>SHAREHOLDERS' FUNDS - All Equity</b>	12	<u><u>2,202,215</u></u>	<u><u>1,881,582</u></u>

The financial statements were approved by the board on 4/27/05 and signed on its behalf.

Director

*Eugene H. Corvath*

The notes on pages 7 to 13 form part of these financial statements.

**LINVATEC (UK) LIMITED**

**CASH FLOW STATEMENT**  
**For the year ended 31 December 2004**

	Note	2004 £	2003 £
Net cash flow from operating activities	13	561,532	1,233,460
Returns on investments and servicing of finance	14	3,955	2,284
Taxation		(248,642)	(201,928)
Capital expenditure and financial investment	14	(373,929)	(992,376)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<u><u>(57,084)</u></u>	<u><u>41,440</u></u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 15)**  
**For the year ended 31 December 2004**

	2004 £	2003 £
(Decrease)/Increase in cash in the year	(57,084)	41,440
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<u>(57,084)</u>	<u>41,440</u>
Net debt at 1 January 2004	(3,058)	(44,498)
<b>NET DEBT AT 31 DECEMBER 2004</b>	<u><u>(60,142)</u></u>	<u><u>(3,058)</u></u>

The notes on pages 7 to 13 form part of these financial statements.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2004**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

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

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

Short term leasehold land and buildings	-	Period of lease
Hire equipment	-	Over 5 years
Fixtures and 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 the profit and loss account on the straight line basis over the lease term.

**1.5 Stocks**

Spares stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Costs 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 in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2004

**2. TURNOVER**

The whole of the turnover is attributable to the principal activity.

A geographical analysis of turnover is as follows:

	2004 £	2003 £
United Kingdom	12,896,055	11,714,106
Rest of European Union	424,299	530,686
	<u>13,320,354</u>	<u>12,244,792</u>

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation of tangible fixed assets:		
- owned by the company	594,191	569,229
Auditors' remuneration	7,000	7,000
Operating lease rentals:		
- other operating leases	92,505	86,180
Difference on foreign exchange	(271,435)	(309,193)
	<u></u>	<u></u>

During the year, no director received any emoluments (2003 - £nil).

**4. STAFF COSTS**

Staff costs were as follows:

	2004 £	2003 £
Wages and salaries	1,428,633	1,234,225
Social security costs	152,816	142,120
Other pension costs	102,117	98,927
	<u>1,683,566</u>	<u>1,475,272</u>

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

	2004	2003
Sales	20	13
Repairs	9	9
Administration	11	10
	<u>40</u>	<u>32</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2004

5. TAXATION

	2004 £	2003 £
<b>Analysis of tax charge in year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profits of the year	253,642	200,000
Adjustments in respect of prior periods	-	128,425
<b>Total current tax</b>	<u>253,642</u>	<u>328,425</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(22,000)
<b>Total deferred tax</b> (see note 10)	<u>-</u>	<u>(22,000)</u>
<b>Tax on profit on ordinary activities</b>	<u>253,642</u>	<u>306,425</u>

**Factors affecting tax charge for year**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applicable to the company (30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	574,275	507,070
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2003 - 30)	<u>172,283</u>	<u>152,121</u>
<b>Effects of:</b>		
Current tax on income for the period	-	26,397
Advance corporation tax irrecoverable	-	21,482
Adjustments in respect of prior periods - deferred taxation	-	98,000
Adjustments to tax charge in respect of prior periods	-	30,425
<b>Current tax charge for year</b> (see note above)	<u>172,283</u>	<u>328,425</u>

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2004

6. TANGIBLE FIXED ASSETS

	Short term leasehold land and buildings £	Hire Equipment £	Fixtures and equipment £	Total £
<b>Cost</b>				
At 1 January 2004	169,798	2,995,869	259,280	3,424,947
Additions	49,912	267,942	56,075	373,929
At 31 December 2004	<u>219,710</u>	<u>3,263,811</u>	<u>315,355</u>	<u>3,798,876</u>
<b>Depreciation</b>				
At 1 January 2004	96,601	1,418,102	143,262	1,657,965
Charge for the year	34,837	502,875	56,479	594,191
At 31 December 2004	<u>131,438</u>	<u>1,920,977</u>	<u>199,741</u>	<u>2,252,156</u>
<b>Net book value</b>				
At 31 December 2004	<u>88,272</u>	<u>1,342,834</u>	<u>115,614</u>	<u>1,546,720</u>
At 31 December 2003	<u>73,197</u>	<u>1,577,767</u>	<u>116,018</u>	<u>1,766,982</u>

7. STOCKS

	2004 £	2003 £
Spare parts	<u>129,950</u>	<u>116,806</u>

8. DEBTORS

	2004 £	2003 £
<b>Due within one year</b>		
Trade debtors	1,849,860	1,421,550
Other debtors	34,606	16,865
Prepayments and accrued income	88,480	63,453
	<u>1,972,946</u>	<u>1,501,868</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2004

9. CREDITORS:  
Amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	60,495	79,534
Trade creditors	67,366	30,264
Amounts owed to group undertakings	604,519	883,401
Corporation tax	152,000	147,000
Social security and other taxes	419,890	319,035
Accruals and deferred income	67,484	45,316
	<u>1,371,754</u>	<u>1,504,550</u>

10. DEFERRED TAXATION

	2004 £	2003 £
At 1 January 2004	76,000	-
Charge for the year	-	76,000
	<u>76,000</u>	<u>76,000</u>
At 31 December 2004	<u>76,000</u>	<u>76,000</u>

The deferred tax provision is made up as follows:

	2004 £	2003 £
Fixed asset timing differences	76,000	76,000
	<u>76,000</u>	<u>76,000</u>

11. SHARE CAPITAL

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

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2004

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the year	320,633	200,645
	<u>320,633</u>	<u>200,645</u>
Opening shareholders' funds	1,881,582	1,680,937
Closing shareholders' funds	<u>2,202,215</u>	<u>1,881,582</u>

13. NET CASH FLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	570,320	504,786
Depreciation of tangible fixed assets	594,191	569,229
(Increase)/decrease in stocks	(13,144)	17,280
(Increase)/decrease in debtors	(471,078)	99,339
Increase in creditors	160,125	190,718
Decrease in amounts owed to group undertakings	(278,882)	(147,893)
NET CASH INFLOW FROM OPERATIONS	<u>561,532</u>	<u>1,233,459</u>

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

	2004 £	2003 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	<u>3,955</u>	<u>2,284</u>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of tangible fixed assets	<u>(373,929)</u>	<u>(992,376)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2004

**15. ANALYSIS OF CHANGES IN NET DEBT**

	1 January 2004 £	Cash flow £	Other non-cash changes £	31 December 2004 £
Cash at bank and in hand:	76,476	(76,123)	-	353
Bank overdraft	(79,534)	19,039	-	(60,495)
<b>NET DEBT</b>	<b>(3,058)</b>	<b>(57,084)</b>	<b>-</b>	<b>(60,142)</b>

**16. OPERATING LEASE COMMITMENTS**

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004 £	2003 £	2004 £	2003 £
<b>Expiry date:</b>				
Within 1 year	-	-	-	27,965
Between 2 and 5 years	15,900	-	194,399	57,080
After more than 5 years	45,000	60,900	-	-

**17. RELATED PARTY TRANSACTIONS**

During the year Linvatec (UK) Limited had the following transactions with CONMED Corporation, a company registered in the USA, which is deemed to be related, as it is the ultimate parent company.

	2004 £	2003 £
Material purchases	9,618,652	9,667,051
Recharges of repair costs	333,103	317,565

At the year end Linvatec (UK) Limited owed CONMED Corporation £604,519 (2003 - £883,401). This balance is included within creditors amounts falling due within one year.

**18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

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.