MUNRO BOLTON ORTHOTICS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2002

Company Registration Number SC129449

FORRESTALS
Chartered Accountants & Registered Auditors
Pearl Assurance House
7 New Bridge Street
Newcastle upon Tyne
NE1 8AQ

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COMPANIES HOUSE 20/11/02

MUNRO BOLTON ORTHOTICS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

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MUNRO BOLTON ORTHOTICS LIMITED

COMPANY INFORMATION

The board of directors	W A Munro K D Munro R G Sharpe J J R Bolton
Company secretary	R G Sharpe
Registered office	8-10 Dunrobin Court Clydebank Business Park Clydebank Glasgow G81 2QP
Auditors	Forrestals Chartered Accountants & Registered Auditors Pearl Assurance House 7 New Bridge Street Newcastle upon Tyne NE1 8AQ
Bankers	National Westminister Bank plc 87 Grey Street Newcastle upon Tyne NE1 6ER
Solicitors	Miller Samuel 5 Renfield Street Glasgow G2 5EZ

MUNRO BOLTON ORTHOTICS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2002.

PRINCIPAL ACTIVITY

The principal activity of the company is the sale of orthoses and the provision of clinical services to health boards.

DIRECTORS

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

W A Munro
K D Munro
R G Sharpe
J J R Bolton

None of the above directors held any beneficial interest in the issued share capital of the 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 pages 8 to 9, 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.

AUDITORS

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

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed on behalf of the directors

K D Munro
Director

Approved by the directors on 16 November 2002

MUNRO BOLTON ORTHOTICS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 JUNE 2002

We have audited the financial statements on pages 6 to 13 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on pages 8 to 9 .

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE 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 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 30 June 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Forrestals

Pearl Assurance House
7 New Bridge Street
Newcastle upon Tyne
NE1 8AQ

FORRESTALS
Chartered Accountants
& Registered Auditors

16 November 2002

MUNRO BOLTON ORTHOTICS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2002

	Note	2002 £	2001 £
TURNOVER		865,498	*823,173*
Cost of sales		(609,932)	*(570,245)*
GROSS PROFIT		255,566	*252,928*
Administrative expenses		(252,878)	*(241,262)*
Other operating income		4,174	*-*
OPERATING PROFIT	3	6,862	*11,666*
Interest payable		(2,359)	*(2,327)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,503	*9,339*
Tax on profit on ordinary activities	5	(562)	*(2,009)*
RETAINED PROFIT FOR THE FINANCIAL YEAR		3,941	*7,330*
Balance brought forward		44,549	*37,219*
Balance carried forward		48,490	*44,549*

The notes on pages 8 to 13 form part of these financial statements.

MUNRO BOLTON ORTHOTICS LIMITED

BALANCE SHEET

30 JUNE 2002

	Note	2002 £	2002 £	2001 £	2001 £
FIXED ASSETS					
Tangible assets	6		19,923		*13,249*
CURRENT ASSETS					
Stocks		34,993		*29,105*	
Debtors due within one year	7	228,931		*264,310*	
Cash in hand		62		*27*	
		263,986		*293,442*	
CREDITORS: Amounts falling due within one year	8	230,373		*261,142*	
NET CURRENT ASSETS			33,613		*32,300*
TOTAL ASSETS LESS CURRENT LIABILITIES			53,536		*45,549*
CREDITORS: Amounts falling due after more than one year	9		4,046		-
			49,490		*45,549*
CAPITAL AND RESERVES					
Called-up equity share capital	13		1,000		*1,000*
Profit and Loss Account			48,490		*44,549*
SHAREHOLDERS' FUNDS			49,490		*45,549*

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the 16 November 2002 and are signed on their behalf by:

Kenneth D. Munro.

K D MUNRO
Director

The notes on pages 8 to 13 form part of these financial statements.

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

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

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:

Plant & Machinery	-	25% per annum, reducing balance
Motor Vehicles	-	25% per annum, reducing balance

Stocks

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

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

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.

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date.

Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. TURNOVER

The turnover was derived from the company's principal activity which was carried out wholly in the UK.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002	2001
	£	£
Depreciation	6,640	4,416
Loss on disposal of fixed assets	-	771
Profit on disposal of fixed assets	(4,174)	-
Auditors' fees	2,900	2,825

4. DIRECTORS' EMOLUMENTS

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

	2002	2001
	£	£
Aggregate emoluments	58,607	55,683

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 10.50% (2001 - 17.40%)	650	2,200
Over/under provision in prior year	(88)	(191)
Total current tax	562	2,009
Tax on profit on ordinary activities	562	2,009

6. TANGIBLE FIXED ASSETS

	Plant and machinery etc. £
COST	
At 1 July 2001	25,282
Additions	26,040
Disposals	(22,624)
At 30 June 2002	28,698
DEPRECIATION	
At 1 July 2001	12,033
Charge for the year	6,640
On disposals	(9,898)
At 30 June 2002	8,775
NET BOOK VALUE	
At 30 June 2002	19,923
At 30 June 2001	13,249

Hire purchase agreements
Included within the net book value of £19,923 is £19,530 (2001 - £12,726) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £6,510 (2001 - £4,242).

7. DEBTORS

	2002	2001
	£	£
Trade debtors	226,266	264,310
Other debtors	2,665	-
	228,931	264,310

8. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	30,717	67,724
Trade creditors	80,225	73,991
Corporation tax	650	2,200
Other taxation and social security	13,325	13,707
Hire purchase agreements	3,237	1,251
Other creditors	102,219	102,269
	230,373	261,142

Bank borrowings are secured.

Hire purchase contracts are secured.

9. CREDITORS: Amounts falling due after more than one year

	2002	2001
	£	£
Hire purchase agreements	4,046	-

10. PENSIONS

Employees are entitled to join a group personal pension scheme run by Bolton Brothers (Surgical Shoe Makers) Limited.

The total contributions payable in the year amounted to £2,625 (2001 £2,835).

Contributions were also payable on behalf of a director to a personal pension scheme which amounted to £9,000 (2001 £7,755).

There were no contributions outstanding at 30 June 2002.

11. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2002 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2002	2001
	£	£
Operating leases which expire:		
Within 1 year	8,295	8,153
Within 2 to 5 years	4,953	6,706
	13,248	14,859

12. RELATED PARTY TRANSACTIONS

In the directors' opinion the company is controlled jointly by Bolton Bros (Surgical Shoe Makers) Limited and W Munro (Surgical Appliances) Limited.

During the year the company had the following transactions with related parties as defined by Financial Reporting Standard 8, which were all on normal commercial terms:

1)During the year, the company purchased stock from Bolton Bros (Surgical Shoe Makers) Limited amounting to £268,635 (2001 £271,407). Management charges of £12,648 (2001 £12,610) were invoiced by Bolton Bros (Surgical Shoe Makers) Limited to the company during the year along with recharged expenses amounting to £21,123 (2001 £20,513). At 30 June 2002 the company owed Bolton Bros (Surgical Shoe Makers) Limited £100,039 (2001 £100,482).This amount is included in other creditors.

2)W Munro (Rehab) Limited is a company owned by the directors of W Munro (Surgical Appliances) Limited. During the year the company made sales of £495 (2001 £272)to W Munro (Rehab) Limited and purchased goods amounting to £1,012 (2001 £374). Re-charged expenses were also invoiced by W Munro (Rehab) Limited to the company during the year amounting to £43,871 (2001 £40,991). At 30 June 2002 the company owed W Munro (Rehab) Limited £1,795 (2001 £1,622). This amount is included in other creditors.

3)Anatomical Concepts (UK) Limited is a company in which the directors of W Munro (Surgical Appliances) Limited have a 70% shareholding. During the year the company purchased goods amounting to £4,589 (2001 £3,148) from Anatomical Concepts (UK) Limited. At 30 June 2002 the company owed Anatomical Concepts (UK) Limited £261 (2001 £1,046), which is included in the trade creditors balance.

4)Bolton Bros (Surgical Shoe Makers) Limited and W Munro (Rehab) Limited have guaranteed the bank borrowings of the company to a maximum of £12,500 each.

13. SHARE CAPITAL

Authorised share capital:

	2002	2001
	£	£
500 Ordinary A shares of £1 each	500	*500*
500 Ordinary B shares of £1 each	500	*500*
	1,000	*1,000*

Allotted, called up and fully paid:

	2002		2001	
	No.	£	*No.*	*£*
Ordinary A shares	500	500	*500*	*500*
Ordinary B shares	500	500	*500*	*500*
	1,000	1,000	*1,000*	*1,000*

The holders of the 'A' ordinary shares and 'B' ordinary shares have the same voting rights and rank pari passu in all other respects.