

**DEVILBISS MEDEQUIP LIMITED**

**Report and Financial Statements**

**30 June 2005**

**Deloitte & Touche LLP  
Birmingham**



# **DEVILBISS MEDEQUIP LIMITED**

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# **DEVILBISS MEDEQUIP LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

C Fullerton  
S A Jaye  
P Riley

### **SECRETARY**

P Riley

### **REGISTERED OFFICE**

Sunrise Business Park  
High Street  
Wollaston  
Stourbridge  
West Midlands  
DY8 4PS

### **BANKERS**

Barclays Bank plc  
Queen Square  
Wolverhampton  
WV1 1XJ

### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Birmingham

# **DEVILBISS MEDEQUIP LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

### **PRINCIPAL ACTIVITY**

The principal activity of the company is the rental of healthcare products.

### **BUSINESS REVIEW AND FUTURE PROSPECTS**

The results for the year are as follows:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	7,686	7,290
Profit on ordinary activities before taxation	1,928	7,830

The company was unsuccessful in the tender process for the renewal of its rental contracts which will now cease on 31 January 2006. The directors are currently considering the future prospects of the company. Tangible fixed assets have been written down to their estimated economic value.

### **DIVIDEND**

The directors do not recommend the payment of a dividend for the year (2004: £15,000,000).

### **EMPLOYEES**

The directors recognise the important role played by the company's employees in the achievement of its business goals. Recruitment, development, training and retention of employees are all essential requisites, combined with enlightened personnel policies.

The company recognises the benefits of keeping employees informed of the progress of its business and providing them with information on matters concerning them as employees. Various methods of providing information are used within the company including consultative and discussion meetings between management and staff and the distribution of internal circulars and newsletters.

It is the company's policy to give full and fair consideration to the recruitment of disabled people for vacancies that they are able to fill and, as far as possible, maintain the employment of existing employees who become disabled. Appropriate training is given so as to ensure suitable opportunities exist for each disabled person.

### **DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year and subsequently were:

C Fullerton  
S A Jaye (American)  
P Riley

The directors who held office at 30 June 2005 are also directors of the immediate parent company, Sunrise Medical Limited, and their interests in the shares of group companies are set out in the financial statements of that company.

# **DEVILBISS MEDEQUIP LIMITED**

## **DIRECTORS' REPORT**

### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



**P Riley**

Secretary

28 February 2006

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 as at the end of the financial year 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
- 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEVILBISS MEDEQUIP LIMITED**

We have audited the financial statements of DeVilbiss Medequip Limited for the year ended 30 June 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, 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 members 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 members 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

### **DELOITTE & TOUCHE LLP**

Chartered Accountants and Registered Auditors  
Birmingham

*6 March 2006*

# DEVILBISS MEDEQUIP LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 30 June 2005

	Note	2005	2004
		£ 000	£ 000
<b>TURNOVER</b>	2	7,686	7,290
Cost of sales (including exceptional charge of £536,000; 2004: £1,927,000)		(3,939)	(5,711)
Gross profit		3,747	1,579
Distribution costs		-	(20)
Administrative expenses (including exceptional charge of £280,000; 2004: £999,000)		(1,813)	(2,092)
<b>OPERATING PROFIT/(LOSS)</b>		1,934	(533)
Income from shares in group undertakings		-	9,057
Amounts written off in respect of investments		-	(701)
Bank interest receivable		-	11
Bank interest payable		(6)	(4)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	1,928	7,830
Tax on profit on ordinary activities	5	(385)	(104)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,543	7,726
Dividends proposed	6	-	(15,000)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCAL YEAR</b>	14	1,543	(7,274)

All results derive from continuing operations. There are no recognised gains and losses other than the result for the financial years. Accordingly, no statement of total recognised gains and losses is given.



# DEVILBISS MEDEQUIP LIMITED

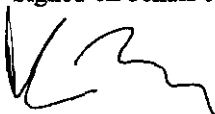
## BALANCE SHEET

30 June 2005

	Note	£ 000	2005 £ 000	£ 000	2004 £ 000
<b>FIXED ASSETS</b>					
Intangible assets	7	-	-	-	-
Tangible assets	8	843		1,668	
			843		1,668
<b>CURRENT ASSETS</b>					
Stocks	9	-	-	-	-
Debtors	10	6,698		7,738	
Cash at bank and in hand		3,392		118	
		10,090		7,856	
<b>CREDITORS: amounts falling due within one year</b>	11	(1,366)		(1,500)	
<b>NET CURRENT ASSETS</b>			8,724		6,356
<b>NET ASSETS</b>			9,567		8,024
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		1,000		1,000
Share premium account			6,331		6,331
Profit and loss account	14		2,236		693
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15		9,567		8,024

These financial statements were approved by the Board of Directors on 28 February 2006

Signed on behalf of the Board of Directors



P Riley

Director

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2005**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Depreciation**

Depreciation is provided so as to write-off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows. The following annual rates on the straight-line method are in force:

Plant and machinery	15% to 33%
Plant and machinery leased to third parties	20%
Fixtures and fittings, tools and office equipment	10% to 50%

Provision is made for any impairment.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes production overheads and the attributable proportion of indirect overhead expenses based on a normal level of activity.

**Deferred taxation**

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Cash flow statements**

The company is a wholly owned subsidiary of Sunrise Medical Holdings Inc and is included in that company's consolidated financial statements. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised).

**Goodwill**

Purchased goodwill is capitalised and amortised over 10 years, which is the period over which it is estimated that the company will derive economic benefit from the goodwill acquired. Provision is made for any impairment.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 June 2005**

**1. ACCOUNTING POLICIES (continued)**

**Leasing and hire purchase**

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

Assets held for hire to third parties under operating leases and short term rental agreements are recorded as fixed assets and depreciated in accordance with the policy stated above. Rental income from operating leases and short term rental agreements is recognised as turnover on a straight line basis over the period of the lease agreement.

**Pension costs**

The company operates a defined contribution pension scheme. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

**2. TURNOVER**

Turnover represents amounts invoiced excluding value added tax and trade discounts. All of the company's turnover derives from its principal activity. All turnover relates to sales in the United Kingdom.

**3. INFORMATION REGARDING EMPLOYEES**

The average number of employees (including directors) during the year, analysed by category, was as follows:

	2005 No	2004 No
Management and administration	64	53

The aggregate payroll costs of these employees (including directors) were as follows

	£ 000	£ 000
Wages and salaries	1,547	1,330
Social security costs	145	129
Other pension costs (note 19)	20	16
	<u>1,712</u>	<u>1,475</u>

**Directors' emoluments**

None of the directors received any emoluments during the year (2004: nil) for services to the company.

Messrs P Riley and C J Fullerton are remunerated by Sunrise Medical Holdings Limited for their services to the group, whilst Mr S A Jaye is an overseas director and it is not practicable to apportion his remuneration between the companies of which he is director.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 June 2005**

**4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

<b>Profit on ordinary activities before taxation is stated after charging/(crediting):</b>	<b>2005 £ 000</b>	<b>2004 £ 000</b>
Auditors' remuneration and expenses:		
Audit services	12	8
Amortisation of goodwill	-	333
Depreciation of tangible fixed assets – owned	998	1,025
Operating lease rentals:		
Plant and machinery	183	231
Land and buildings	20	15
Rents receivable from hire of medical equipment, included within turnover	(7,686)	(7,290)
Exceptional item - impairment charge in respect of plant and machinery (within cost of sales)	536	1,927
Exceptional item – impairment charge in respect of goodwill (within administrative expenses)	-	999
Exceptional item – redundancy, legal and other costs in respect of failure to win new revenue contract (within administrative expenses)	280	-
	<u>280</u>	<u>-</u>

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2005 £ 000</b>	<b>2004 £ 000</b>
<b>Current tax</b>		
United Kingdom corporation tax at 30% (2004: 30%)	787	811
Group relief	-	55
Adjustments in respect of prior periods	(193)	(137)
<b>Total current tax</b>	<u>594</u>	<u>729</u>
<b>Deferred taxation</b>		
Current year	(209)	(625)
<b>Tax on profit on ordinary activities</b>	<u>385</u>	<u>104</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 June 2005**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

**Factors affecting tax charge in year**

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £ 000	2004 £ 000
Profit on ordinary activities before taxation	1,928	7,830
Tax on profit on ordinary activities at standard rate	578	2,349
Effects of:		
Depreciation in excess of capital allowances	209	624
Dividend income	-	(2,717)
Goodwill amortisation	-	400
Loss on investment not deductible	-	210
Adjustments in respect of prior periods	(193)	(137)
<b>Current tax charge</b>	<b>594</b>	<b>729</b>

**6. DIVIDEND PROPOSED**

	2005 £ 000	2004 £ 000
Final dividend proposed (2004: £15.00 per share)-equity	-	15,000

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 June 2005**

**7. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £ 000</b>
<b>Cost</b>	
At 1 July 2004 and 30 June 2005	3,330
<b>Amortisation</b>	
At 1 July 2004	3,330
Charge for the year	-
At 30 June 2005	3,330
<b>Net book value</b>	
At 30 June 2005 and 30 June 2004	-

**8. TANGIBLE FIXED ASSETS**

	<b>Plant and machinery £ 000</b>	<b>Fixtures, fitting, tools and office equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>			
At 1 July 2004	10,193	36	10,229
Additions	718	-	718
Disposals	(649)	-	(649)
At 30 June 2005	10,262	36	10,298
At 1 July 2004	8,535	26	8,561
Charge for the year	993	5	998
Impairment losses	536	-	536
Disposals	(640)	-	(640)
At 30 June 2005	9,424	31	9,455
<b>Net book value</b>			
At 30 June 2005	838	5	843
At 30 June 2004	1,658	10	1,668

The net book value of assets held for rental, included within motor vehicles, plant and machinery is £838,000 (2004: £1,658,000). The depreciation charge in the year amounted to £993,000 (2004: £1,109,000).

As a result of the failure to win a new revenue contract, the related assets have been written down to their estimated economic value.

At 30 June 2005, capital expenditure contracted for but not provided in the financial statements was £40,000 (2004: £112,000)

# DEVILBISS MEDEQUIP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 June 2005

### 9. STOCKS

	2005 £ 000	2004 £ 000
Medical equipment	-	-

### 10. DEBTORS

	2005 £ 000	2004 £ 000
Trade debtors	1,562	1,496
Amounts owed by other group undertakings	4,133	5,751
Deferred taxation (note 12)	509	300
Other debtors	124	182
Prepayments and accrued income	370	9
	<u>6,698</u>	<u>7,738</u>

### 11. CREDITORS

	2005 £ 000	2004 £ 000
<b>Amounts falling due within one year:</b>		
Trade creditors	41	19
Amounts due to group undertakings	19	-
Corporation tax	739	1,210
Group relief	55	55
Other creditors	132	149
Accruals and deferred income	380	67
	<u>1,366</u>	<u>1,500</u>

### 12. DEFERRED TAXATION

	Balance at 1 July 2004 £ 000	Charge to profit and loss account £ 000	Balance at 30 June 2005 £ 000
Deferred tax asset	(300)	(209)	(509)

A deferred tax asset of £509,000 has been recognised at 30 June 2005 (2004: £300,000). This is made up as follows:

	2005 £ 000	2004 £ 000
Accelerated capital allowances	<u>(509)</u>	<u>(300)</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 June 2005**

**13. CALLED UP SHARE CAPITAL**

	2005 £ 000	2004 £ 000
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	1,000	1,000
<b>Called up, allotted and fully paid</b>		
1,000,000 Ordinary shares of £1 each	1,000	1,000

**14. RESERVES**

	2005 £ 000	2004 £ 000
At 1 July 2004	693	7,967
Retained profit/(loss) for the year	1,543	(7,274)
At 30 June 2005	2,236	693

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2005 £ 000	2004 £ 000
Profit for the financial year	1,543	7,726
Dividend proposed	-	(15,000)
Increase/(decrease) in shareholders' funds	1,543	(7,274)
Opening shareholders' funds	8,024	15,298
Closing shareholders' funds	9,567	8,024

**16. CONTINGENT LIABILITIES**

The company together with certain other United Kingdom companies has entered into cross guarantees with Barclays Bank plc in respect of the borrowings of the group companies concerned at the year end.

**17. RELATED PARTY TRANSACTIONS**

Advantage has been taken of the exemption available under FRS 8 to dispense with the requirement to disclose transactions with fellow subsidiaries, 90% or more whose voting rights are held within a group which produces consolidated financial statements that are publicly available.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**Year ended 30 June 2005**

**18. OBLIGATIONS UNDER OPERATING LEASES**

At 30 June 2005, the company had the following annual commitments under operating leases which expire as follows.

	<b>2005</b>		<b>2004</b>	
	<b>Land and buildings £ 000</b>	<b>Plant and machinery £ 000</b>	<b>Land and buildings £ 000</b>	<b>Plant and machinery £ 000</b>
Within one year	-	57	2	8
Within two to five years	-	43	-	146
	<hr/>	<hr/>	<hr/>	<hr/>
	-	100	2	154
	<hr/>	<hr/>	<hr/>	<hr/>

**19. PENSION SCHEME**

The company operates a defined contribution pension scheme. The total pension costs charged to the profit and loss account for the year relating to the scheme and the personal pension plans amounted to £20,000 (2004: £16,000). The amount accrued at the end of the year was £nil (2004: £nil).

**20. POST BALANCE SHEET EVENT**

Legal costs were awarded against the company post year end in respect of an unsuccessful appeal against the awarding of certain government contracts. These amounted to £128,000.

**21. ULTIMATE PARENT COMPANY**

The company's ultimate parent company and controlling party is Sunrise Medical Holdings Inc, a company incorporated in the United States of America and its immediate parent company is Sunrise Medical Holdings Limited, a company registered in England and Wales.

The financial statements have been consolidated in the financial statements of Sunrise Medical Holdings Limited, a company registered in England and Wales and in the financial statements of Sunrise Medical Holdings Inc, a company incorporated in the United States of America. Copies of these financial statements may be obtained from Sunrise Medical Limited, High Street, Wollaston, Stourbridge, West Midlands, DY8 4PS.