

David Ormerod Hearing Centres Limited  
Annual report and financial statements  
for the period ended 31 March 2012

Registered Number 823009

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David Ormerod Hearing Centres Limited  
Annual report and financial statements  
for the period ended 31 March 2012

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# David Ormerod Hearing Centres Limited

## Directors and advisors for the period ended 31 March 2012

### Directors

Mr P J Ormerod  
Mr P Thompson  
Ms J Booth  
Mrs S Reece-Jones  
Mr A Zschokke (Resigned 10 August 2012)  
Mrs J R Ormerod (Appointed 15 December 2010)  
Mr F Petermann (Appointed 10 August 2012)

### Company secretary

Mrs S Reece-Jones

### Registered Office

18 Trinity Square  
Llandudno  
Conway  
LL30 2RH

### Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
8 Princes Parade  
St Nicholas Place  
Liverpool  
L3 1QJ

### Bankers

HSBC Bank Plc  
The Square  
Llanrwst  
Gwynedd  
LL26 0LD

### Solicitors

Addleshaw Goddard LLP  
100 Barbirolli Square  
Manchester  
M2 3AB

# David Ormerod Hearing Centres Limited

## Directors' report for the period ended 31 March 2012

The directors present their report and the audited financial statements of the company for the 18 month period ended 31 March 2012. The company has changed its accounting reference date to 31 March, previously 30 September. The financial statements cover the period 1 October 2010 to 31 March 2012. The comparative information covers the year to 30 September 2010.

### Principal activities

The principal activity of the company during the period was the practice as clinicians of providing innovative hearing healthcare solutions, the dispensing of hearing aids together with associated after care services and ancillary equipment to the general public.

### Review of business

This review has been prepared by the directors in accordance with the requirements of the Companies Act 2006, and forms part of the directors' report to the shareholders.

In carrying out the review of the development and financial performance of the company during the financial period, together with the financial position of the company at the end of the period, the Board has determined that the following key performance indicators (KPI's) represent the most effective measures of the practice's progress.

|                                    | 18<br>months to<br>31 March<br>2012<br>£'000 | Annual<br>Growth | Year to 30<br>September<br>2010<br>£'000 | Growth | Year to 30<br>September<br>2009<br>£'000 | Growth |
|------------------------------------|--|------------------|--|--------|--|--------|
| Turnover and growth                | 56,962                                       | 48.1%            | 33,093                                   | 22.5%  | 27,015                                   | -4.4%  |
| Gross profit                       | 21,590                                       |                  | 14,446                                   |        | 10,606                                   |        |
| Operating profit                   | 6,531  |                  | 6,098                                    |        | 1,193                                    |        |
| Net assets and shareholders' funds | 2,831  |                  | 7,539                                    |        | 3,134                                    |        |

### Turnover

According to the UK Office of National Statistics (ONS), UK real GDP fell by 0.2% between the final quarter of 2011 and the first quarter of 2012, the second successive quarter of contraction. Over the past year the UK economy has not grown at all, and total output is now 0.2% lower than it was six quarters ago, in the third quarter of 2010. In contrast, the company's achievement of annual growth in Turnover of 48.1% over these 18 months is greater than the 22.5% growth it achieved in the year ended 30 September 2010, when the UK economy showed growth of between 2% and 3%.

The Company remains focussed on the provision of high quality innovative hearing healthcare solutions rather than just hearing correction. This approach and focus, which limited the decrease in the Company's Turnover level during the sharp recessionary conditions of 2008 and 2009, delivered the growth of 22.5% in Turnover during the difficult post recessionary condition of 2010, and the annual growth of 48.1% over the 18 months to March 2012. The Company's approach and focus is made possible by a strong management team and infrastructure, to compliment the team of hearing aid audiologists and support staff.

# David Ormerod Hearing Centres Limited

## Directors' report for the period ended 31 March 2012 (continued)

The Board remains committed to the delivery of the best hearing healthcare, in the context of the High Street, through Boots hearingcare & stand-alone own brand centres, & in the context of partnership with NHS Trust Hospitals. Also through delivery of adult hearing aid services on behalf of the NHS.

### Gross margin

Gross margin performance (18 month period to 31 March 2012 37.9%, year ended 30 September 2010 43.7%, 2009 39.3%) as reported in these KPI's is a blend of margins achieved across the range of products and services.

### Operating profit

Operating profit margin 2012 11.4%, 2010 18.4%, 2009 4.4%

### The Company's position at 31 March 2012

As at 31 March 2012, the Company had net assets of £2,830,789 (30 September 2010 £7,538,908)

### Future developments in the Company's business

Future developments in the company's business will continue to be affected by the difficult trading conditions.

Nevertheless, the company's dynamism continues to produce good growth, offering consumers the most comprehensive hearing care services in the country. The company has a flourishing presence in all aspects of hearing care in the UK. Moreover, the company's reputation for innovative hearing healthcare solutions continues to grow and be further enhanced through the continued strengthening of the long standing relationship that has existed with Sonova Holding AG.

Delivery of the Company's full synergies and strengths will continue to be developed, but growth will continue to be robustly tested by the difficult trading conditions of the UK.

### Results and dividends

The profit for the 18 month period, after taxation, amounted to £4,926,683 (year ended 30 September 2010 £4,328,899). Interim dividends of £9,850,000 (year ended 30 September 2010 £nil) have been paid. The directors have not recommended the payment of a final dividend (year ended 30 September 2010 £nil).

### Directors

The directors who served during the year and up to the date of signing of the financial statements were as follows:

|                   |                            |
|-------------------|----------------------------|
| Mr P J Ormerod    |                            |
| Mr P Thompson     |                            |
| Ms J Booth        |                            |
| Mrs S Reece-Jones |                            |
| Mr A Zschokke     | resigned 10 August 2012    |
| Mrs J R Ormerod   | appointed 15 December 2010 |
| Mr F Petermann    | appointed 10 August 2012   |

# David Ormerod Hearing Centres Limited

## Directors' report for the period ended 31 March 2012 (continued)

### Financial risk management

The Company finances its operations through a mixture of retained profits and cash generated from operations and where necessary may fund expansion of capital expenditure programmes through loan finance, lease finance and hire purchase borrowings. The management's objectives are to

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds, and
- match the repayment schedule of any external borrowings with the expected future cash flows expected to arise from the company's trading activities

Where appropriate, funds are held primarily in short term variable rate deposit accounts and money market investments. The directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise.

The company does not actively use derivative financial instruments as part of its financial risk management. It is exposed to the usual credit risk but seeks to mitigate any cash flow risk associated with selling on credit and manages this through strong credit control procedures.

### Employee involvement

Good communications and consultation are central to the company's management process and assume critical importance when dealing with changes in working practices and procedures that are intrinsic to the dynamics of a professional practice dedicated to promoting the best in hearing healthcare. The company has recently been awarded the prestigious Investors in People (IiP) gold standard. Only three per cent of organisations across the UK achieve this, the highest form of accreditation available from IiP.

### Disabled employees

The company's employment policy is to promote equal opportunities and diversity across the company. This involves recruiting, retaining, rewarding and developing people solely on the basis of ability, with reasonable adjustments to working environment, working arrangements and working conditions to support disabled employees. We are committed, wherever possible, to supporting the rehabilitation and return to work of employees who become disabled during their career with us. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company.

### Political and charitable donations

During the period, the company made charitable donations of £11,300, including £10,600 to NDCS (2010 nil). No political donations were made (2010 nil).

### Qualifying indemnity provision

The company has not made a qualifying third party indemnity provision for the benefit of its directors during the period.

# David Ormerod Hearing Centres Limited

## Directors' report for the period ended 31 March 2012 (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

### Statement of disclosure of information to auditors

Each director of the company, in office at the time of approval of this report, acknowledges that

so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

he/she has taken all the steps that he/she ought to have taken as a director in order to make himself /herself aware of any relevant audit information and to establish that the company's auditors are aware of that

### Independent auditor

During the period Mazars LLP resigned and PricewaterhouseCoopers LLP were appointed to fill the casual vacancy that arose. A resolution to appoint PricewaterhouseCoopers LLP as auditors will be put to the members at the annual general meeting.

By order of the Board



Mrs S Reece-Jones  
Company Secretary

2 November 2012

# **David Ormerod Hearing Centres Limited**

## **Independent auditors' report to the members of David Ormerod Hearing Centres Limited**

We have audited the financial statements (the "financial statements") of David Ormerod Hearing Centres Limited for the period ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006



## David Ormerod Hearing Centres Limited

### Independent auditors' report to the members of David Ormerod Hearing Centres Limited (continued)

#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jason Leach (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Liverpool

2 November 2012

# David Ormerod Hearing Centres Limited

## Profit and loss account for the period ended 31 March 2012

|  | Note | 18 months<br>to 31 March<br>2012<br>£ | Year to 30<br>September<br>2010<br>£ |
|--|------|---------------------------------------|--------------------------------------|
| Turnover   | 1    | 56,961,572                            | 33,093,479                           |
| Cost of sales  |      | (35,371,880)                          | (18,647,074)                         |
| <b>Gross profit</b>                                      |      | <b>21,589,692</b>                     | <b>14,446,405</b>                    |
| Administrative expenses                                  |      | (15,058,465)                          | (8,348,469)                          |
| <b>Operating profit</b>                                  | 2    | <b>6,531,227</b>                      | <b>6,097,936</b>                     |
| Interest receivable and similar income                   | 5    | 54,348                                | 38,628                               |
| Interest payable and similar charges                     | 6    | (11,432)                              | (35,772)                             |
| <b>Profit on ordinary activities before<br/>taxation</b> |      | <b>6,574,143</b>                      | <b>6,100,792</b>                     |
| Taxation on profit on ordinary activities                | 7    | (1,647,460)                           | (1,771,893)                          |
| <b>Profit for the financial period</b>                   | 15   | <b>4,926,683</b>                      | <b>4,328,899</b>                     |

All amounts relate to continuing operations

There were no recognised gains and losses for the periods other than those included in the profit and loss account

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents

The notes on pages 13 to 24 form part of these financial statements

# David Ormerod Hearing Centres Limited

## Balance sheet as at 31 March 2012

|   | Note | 31 March<br>2012<br>£ | 31 March<br>2012<br>£ | 30 September<br>2010<br>£ | 30 September<br>2010<br>£ |
|---|------|-----------------------|-----------------------|---------------------------|---------------------------|
| <b>Fixed assets</b>   |      |                       |                       |                           |                           |
| Intangible assets   | 8    |                       | 1,911,032             |                           | 2,314,290                 |
| Tangible fixed assets                                       | 9    |                       | 647,090               |                           | 1,006,682                 |
|   |      |                       | <b>2,558,122</b>      |                           | <b>3,320,972</b>          |
| <b>Current assets</b>                                       |      |                       |                       |                           |                           |
| Stocks  | 10   | 227,839               |                       | 331,389                   |                           |
| Debtors   | 11   | 8,605,530             |                       | 3,105,589                 |                           |
| Cash at bank and in hand                                    |      | 2,108,715             |                       | 10,103,277                |                           |
|   |      | <b>10,942,084</b>     |                       | <b>13,540,255</b>         |                           |
| <b>Creditors amounts falling due within one year</b>        | 12   | <b>(10,669,417)</b>   |                       | <b>(9,322,319)</b>        |                           |
| <b>Net current assets</b>                                   |      |                       | <b>272,667</b>        |                           | <b>4,217,936</b>          |
| <b>Total assets less current liabilities and net assets</b> |      |                       | <b>2,830,789</b>      |                           | <b>7,538,908</b>          |
| <b>Capital and reserves</b>                                 |      |                       |                       |                           |                           |
| Called up share capital                                     | 14   |                       | 132                   |                           | 128                       |
| Share premium account                                       | 15   |                       | 542,420               |                           | 346,324                   |
| Capital Redemption Reserve                                  | 15   |                       | 21                    |                           | 21                        |
| Profit and loss account                                     | 15   |                       | 2,288,216             |                           | 7,192,435                 |
| <b>Total shareholders' funds</b>                            | 16   |                       | <b>2,830,789</b>      |                           | <b>7,538,908</b>          |

The financial statements on pages 9 to 24 were approved by the board of directors on 2 November 2012 and were signed on its behalf by



Mr P J Ormerod  
**Director**  
 David Ormerod Hearing Centres Limited  
 Registered number 823009

# David Ormerod Hearing Centres Limited

## Statement of accounting policies

### Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom on a going concern basis and the Companies Act 2006. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Group financial statements have not been prepared as all of the company's subsidiaries are permitted to be excluded from group financial statements by virtue of sections 402 and 405 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

### Turnover

Turnover is recognised on receipt of a customer's order and is stated net of a provision for expected returns after the period end date based on historic rates of return. Turnover is stated exclusive of value added tax.

### Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life.

|                        |          |
|------------------------|----------|
| Advanced Hearing Group | 15 years |
| All other acquisitions | 10 years |

Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

### Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

|                     |  |
|---------------------|--|
| Leasehold property  | - straight line over the life of the lease                   |
| Motor Vehicles      | - straight line basis over 5 years from date of registration |
| Fixtures & Fittings | - straight line basis over 6 years                           |
| Computer Equipment  | - straight line basis over 4 years                           |

The Directors review the residual values of assets on an annual basis. The carrying values of tangible fixed assets are reviewed for impairment if events or changes indicate the carrying value may not be recoverable.

### Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Specific provisions are made for slow moving and obsolete stock.

# David Ormerod Hearing Centres Limited

## Statement of accounting policies (continued)

### Cash flow statement

The company is a wholly owned subsidiary of a parent whose financial statements are publicly available. Consequently, the company is exempt under the terms of FRS 1 "Cash flow Statements" from publishing a cash flow statement.

### Related parties

By virtue of the company being a wholly owned subsidiary included in the consolidated financial statements of a larger group, the company is exempt under FRS 8 from disclosing transactions or balances with entities which are members of that group and qualify as related parties.

### Leases

Operating lease costs for leases where the risks and rewards of ownership rest with the lessor, are charged to the profit and loss account on a straight-line basis over the lease term.

Assets acquired under finance leases and hire purchase arrangements where the risks and rewards of ownership of the asset have passed to the company are capitalised within tangible fixed assets. 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.

### Deferred taxation

Deferred taxation is recognised on 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, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that, based on available evidence, it is considered 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 on a non-discounted basis at the 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 enacted or substantively enacted by the balance sheet date.

### Pensions and other post retirement benefits

The company operates a defined contribution benefit scheme. The assets of the scheme are held separately from those of the company. Contributions to this scheme are charged to the profit and loss account in the year they are incurred.

### Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on an estimate of shares that will eventually vest.

### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences residual interest in the assets of the company after deducting all of its liabilities.

# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012

### 1. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company and all originates in the United Kingdom. Turnover for the 18 month period amounted to £56,961,572 (2010 £33,093,479)

### 2. Operating profit

| This is stated after charging/(crediting)         | 18 months<br>to 31 March<br>2012<br>£ | Year to 30<br>September<br>2010<br>£ |
|---|---------------------------------------|--------------------------------------|
| Depreciation of tangible fixed assets             |                                       |                                      |
| - owned assets                                    | 837,668                               | 360,968                              |
| - assets held under finance leases                | 3,224                                 | 5,315                                |
| Amortisation of intangible assets                 | 403,258                               | 271,638                              |
| Operating lease charges                           |                                       |                                      |
| - Land and buildings                              | 477,390                               | 283,824                              |
| - Other   | 525,556                               | 274,683                              |
| Equity-settled share-based payments               | 19,098                                | 76,392                               |
| Goodwill impairment reversal                      | -                                     | (50,810)                             |
| <b>Services provided by the company's auditor</b> |                                       |                                      |
| Fees payable for the audit                        | 28,600                                | 24,000                               |
| Fees payable for other services                   | 6,900                                 | 3,000                                |

# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012 (continued)

### 3. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services is set out below

|  | <b>18 months<br/>to 31<br/>March<br/>2012<br/>£</b> | Year to 30<br>September<br>2010<br>£ |
|--|---|--------------------------------------|
| Aggregate emoluments   | <b>631,025</b>                                      | 465,215                              |
| Value of company pension contributions to money purchase schemes | -   | -                                    |
|  | <b>631,025</b>                                      | 465,215                              |

The remuneration of the highest paid director is set out below

|  | <b>18 months<br/>to 31<br/>March<br/>2012<br/>£</b> | Year to 30<br>September<br>2010<br>£ |
|--|---|--------------------------------------|
| Aggregate emoluments   | <b>241,489</b>                                      | 159,258                              |
| Value of company pension contributions to money purchase schemes | -   | -                                    |
|  | <b>241,489</b>                                      | 159,258                              |

### 4. Staff costs

Staff costs, including directors' remuneration, were as follows

|                       | <b>18 months<br/>to 31<br/>March<br/>2012<br/>£</b> | Year to 30<br>September<br>2010<br>£ |
|-----------------------|---|--------------------------------------|
| Wages and salaries    | <b>16,634,475</b>                                   | 9,554,780                            |
| Social security costs | <b>1,804,211</b>                                    | 1,016,905                            |
| Other pension costs   | <b>8,416</b>  | 6,410                                |
| <b>Staff costs</b>    | <b>18,447,102</b>                                   | 10,578,095                           |

# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012 (continued)

### 4. Staff costs (continued)

The average monthly number of employees (including executive directors) employed during the period was

|                          | 18 months<br>to 31<br>March<br>2012<br>Number | Year to 30<br>September<br>2010<br>Number |
|--------------------------|---|---|
| Hearing assessment staff | 158   | 149                                       |
| Administrative staff     | 110   | 93  |
|                          | 268   | 242                                       |

### 5. Interest receivable and similar income

|                          | 18 months<br>to 31<br>March<br>2012<br>£ | Year to 30<br>September<br>2010<br>£ |
|--------------------------|--|--------------------------------------|
| Bank interest receivable | 54,348                                   | 38,628                               |

### 6. Interest payable and similar charges

|   | 18 months<br>to 31<br>March<br>2012<br>£ | Year to 30<br>September<br>2010<br>£ |
|---|--|--------------------------------------|
| On debenture loans                            | 10,920                                   | 30,006                               |
| On finance leases and hire purchase contracts | 512                                      | 3,274                                |
| Other interest payable                        | -  | 2,492                                |
|   | 11,432                                   | 35,772                               |



# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012 (continued)

### 7. Taxation on profit on ordinary activities

|   | 18 months<br>to 31 March<br>2012<br>£ | Year to 30<br>September<br>2010<br>£ |
|---|---------------------------------------|--------------------------------------|
| Current tax   |                                       |                                      |
| UK corporation tax charge on profits for the period | 1,672,060                             | 1,812,000                            |
| Adjustments in respect of prior periods             | -                                     | (549)                                |
| <b>Total current tax</b>                            | <b>1,672,060</b>                      | <b>1,811,451</b>                     |
| Deferred tax  |                                       |                                      |
| Origination and reversal of timing differences      | (24,600)                              | (39,558)                             |
| <b>Tax on profit on ordinary activities</b>         | <b>1,647,460</b>                      | <b>1,771,893</b>                     |

The tax assessed for the period is lower (2010 higher) than the standard rate of corporation tax in the UK

|  | 18 months<br>to 31<br>March<br>2012<br>£ | Year to 30<br>September<br>2010<br>£ |
|--|--|--------------------------------------|
| <b>Profit on ordinary activities before tax</b>  | <b>6,574,143</b>                         | <b>6,100,792</b>                     |
| Profit on ordinary activities multiplied by standard rate in the UK 26.67%<br>(2010 28%) | 1,753,323                                | 1,708,222                            |
| Effects of   |  |                                      |
| Expenses not deductible for tax purposes   | 82,455                                   | 64,219                               |
| Accelerated capital allowances   | 125,836                                  | 18,159                               |
| Other timing differences   | -  | 112                                  |
| Adjustments in respect of prior periods  | -  | (549)                                |
| Share option timing differences  | (289,554)                                | 21,390                               |
| <b>Current tax charge</b>  | <b>1,672,060</b>                         | <b>1,811,451</b>                     |

# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012 (continued)

### 7. Tax on profit on ordinary activities (continued)

The Finance Act 2011 was substantively enacted on 29 March 2011 and included legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 26.67%. A further reduction to 25% from 1 April 2012 was substantively enacted by subsequent legislation on 5 July 2011.

A further announcement was made in the 2012 Budget on 21 March 2012, which resulted in the rate reducing to 24% from 1 April 2012, with further 1% reductions per annum to 22% by 1 April 2014.

### 8. Intangible fixed assets

|   | Goodwill<br>£    |
|---|------------------|
| <hr/>   |                  |
| <b>Cost</b>                                   |                  |
| <hr/>   |                  |
| <b>As at 1 October 2010 and 31 March 2012</b> | <b>7,112,070</b> |
| <hr/>   |                  |
| <b>Accumulate amortisation</b>                |                  |
| At 1 October 2010                             | 4,797,780        |
| Charge for the period                         | 403,258          |
| <hr/>   |                  |
| <b>At 31 March 2012</b>                       | <b>5,201,038</b> |
| <hr/>   |                  |
| <b>Net book amount</b>                        |                  |
| <hr/>   |                  |
| <b>At 31 March 2012</b>                       | <b>1,911,032</b> |
| <hr/>   |                  |
| At 30 September 2010                          | 2,314,290        |
| <hr/>   |                  |

## David Ormerod Hearing Centres Limited

### Notes to the financial statements for the period ended 31 March 2012 (continued)

#### 9. Tangible fixed assets

|                                 | Leasehold<br>Property<br>£ | Fixtures &<br>Fittings<br>£ | Motor<br>Vehicles<br>£ | Computer<br>Equipment<br>£ | Total<br>£       |
|---------------------------------|----------------------------|-----------------------------|------------------------|----------------------------|------------------|
| <b>Cost</b>                     |                            |                             |                        |                            |                  |
| At 1 October 2010               | 61,548                     | 1,062,641                   | 166,053                | 1,986,418                  | 3,276,660        |
| Additions                       | -                          | 163,071                     | 33,647                 | 326,951                    | 523,669          |
| Disposals                       | -                          | -                           | (91,055)               | (8,980)                    | (100,035)        |
| <b>At 31 March 2012</b>         | <b>61,548</b>              | <b>1,225,712</b>            | <b>108,645</b>         | <b>2,304,389</b>           | <b>3,700,294</b> |
| <b>Accumulated depreciation</b> |                            |                             |                        |                            |                  |
| At 1 October 2010               | 61,548                     | 646,491                     | 70,471                 | 1,491,468                  | 2,269,978        |
| Charge for the period           | -                          | 388,155                     | 44,698                 | 408,039                    | 840,892          |
| Disposals                       | -                          | -                           | (54,598)               | (3,068)                    | (57,666)         |
| <b>At 31 March 2012</b>         | <b>61,548</b>              | <b>1,034,646</b>            | <b>60,571</b>          | <b>1,896,439</b>           | <b>3,053,204</b> |
| <b>Net book amount</b>          |                            |                             |                        |                            |                  |
| <b>At 31 March 2012</b>         | <b>-</b>                   | <b>191,066</b>              | <b>48,074</b>          | <b>407,950</b>             | <b>647,090</b>   |
| At 30 September 2010            | -                          | 416,150                     | 95,582                 | 494,950                    | 1,006,682        |

Included within the net book value above are assets held under finance leases and hire purchase agreements of £nil (2010 £15,946). The depreciation charge in the period in respect of these assets was £3,224 (year ended 30 September 2010 £5,315).

# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012 (continued)

### 10. Stocks

|       | 31 March<br>2012 | 30<br>September<br>2010 |
|-------|------------------|-------------------------|
|       | £                | £                       |
| Stock | 227,839          | 331,389                 |

### 11. Debtors

|                                    | 31 March<br>2012 | 30<br>September<br>2010 |
|------------------------------------|------------------|-------------------------|
|                                    | £                | £                       |
| Trade debtors                      | 3,062,969        | 2 130,982               |
| Amounts owed by group undertakings | 4,556,848        | -                       |
| VAT recoverable                    | 112,372          | 47,104                  |
| Other debtors                      | 271,169          | 219,540                 |
| Prepayments                        | 550,474          | 680,865                 |
| Deferred tax asset (see note 13)   | 51,698           | 27,098                  |
|                                    | 8,605,530        | 3,105,589               |

## David Ormerod Hearing Centres Limited

### Notes to the financial statements for the period ended 31 March 2012 (continued)

#### 12. Creditors: amounts falling due within one year

|  | 31 March<br>2012  | 30<br>September<br>2010 |
|--|-------------------|-------------------------|
|  | £                 | £                       |
| Debenture loans                              | -                 | 2,000,000               |
| Obligations under hire purchase arrangements | -                 | 4,167                   |
| Trade creditors                              | 2,197,635         | 1,354,703               |
| Corporation tax                              | 479,777           | 762,000                 |
| Other taxation and social security           | 307,654           | 264,986                 |
| Directors current account                    | 2,378             | 2,044                   |
| Other creditors                              | -                 | 1,473                   |
| Accruals and deferred income                 | 7,681,973         | 4,932,946               |
|  | <b>10,669,417</b> | <b>9,322,319</b>        |

Amounts owed under finance leases and hire purchase agreements are secured against the assets to which they relate

# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012 (continued)

### 13. Deferred taxation

|   | 31 March<br>2012 | 30<br>September<br>2010 |
|---|------------------|-------------------------|
|   | £                | £                       |
| At the beginning of the period                        | 27,098           | (12,460)                |
| Credited to the profit and loss account in the period | 24,600           | 39,558                  |
| At the end of the period                              | 51,698           | 27,098                  |

The deferred tax balance is made up as follows

|                                |        |          |
|--------------------------------|--------|----------|
| Accelerated capital allowances | 51,698 | (69,163) |
| Share options                  | -      | 96,261   |
|                                | 51,698 | 27,098   |

### 14. Called up share capital

|   | 31 March<br>2012 | 30 September<br>2010 |
|---|------------------|----------------------|
|   | £                | £                    |
| <b>Allotted, called up and fully paid</b>         |                  |                      |
| 1,623 Ordinary Class A shares of 5p each          | 81               | 81                   |
| 680 (2010 606) Ordinary Class B shares of 5p each | 34               | 30                   |
| 349 Ordinary Class C shares of 5p each            | 17               | 17                   |
|   | 132              | 128                  |

The ordinary A and B shares rank pari passu save that the A shares carry voting rights and B shares do not. The C shares rank pari passu with the B shares save that the majority of the holders of the C shares can appoint a director and observer to the board.

On 23 March 2011, 74 'B' shares were issued by the company at a price of £2,650 per share.

## David Ormerod Hearing Centres Limited

### Notes to the financial statements for the period ended 31 March 2012 (continued)

#### 15. Reserves

|  | Share<br>premium<br>account<br>£ | Capital<br>redemption<br>reserve<br>£ | Profit and<br>loss account<br>£ |
|--|----------------------------------|---------------------------------------|---------------------------------|
| At 1 October 2010                                  | 346,324                          | 21                                    | 7,192,435                       |
| Premium on ordinary shares issued                  | 196,096                          | -                                     | -                               |
| Profit for the period                              | -                                | -                                     | 4,926,683                       |
| Recognition of equity-settled share-based payments | -                                | -                                     | 19,098                          |
| Dividends  | -                                | -                                     | (9,850,000)                     |
| <b>At 31 March 2012</b>                            | <b>542,420</b>                   | <b>21</b>                             | <b>2,288,216</b>                |

#### 16. Reconciliation of movement in shareholders' funds

|  | 31 March<br>2012<br>£ | 30<br>September<br>2010<br>£ |
|--|-----------------------|------------------------------|
| Profit for the period  | 4,926,683             | 4,328,899                    |
| Recognition of equity-settled share-based payments in the period | 19,098                | 76,392                       |
| Dividends  | (9,850,000)           | -                            |
| New shares issued  | 4                     | -                            |
| Premium on ordinary shares issued                                | 196,096               | -                            |
| Net (deduction) / addition to shareholders' funds                | (4,708,119)           | 4,405,291                    |
| Opening shareholders' funds                                      | 7,538,908             | 3,133,617                    |
| Closing shareholders' funds                                      | 2,830,789             | 7,538,908                    |

# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012 (continued)

### 17. Dividends

|                          | 31 March<br>2012<br>£ |
|--------------------------|-----------------------|
| <b>Equity – Ordinary</b> |                       |
| Interim dividends paid   | 9,850,000             |

Interim dividends of £9,850,000 have been paid in the year. The directors have not recommended the payment of a final dividend.

### 18. Pension commitments

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The directors' pension cost charge represents contributions paid by the company into the schemes during the period totalling £nil (year ended 30 September 2010: £nil). There were no outstanding or prepaid contributions at 31 March 2012.

In addition to the defined contribution pension schemes the company also contributes towards its employees' personal pension plans. The pension cost charge in relation to these contributions paid in the period totalled £8,416 (year ended 30 September 2010: £6,410). At 31 March 2012 the outstanding contributions were £nil (30 September 2010: £nil).

### 19. Financial commitments

At 31 March 2012, the Company had annual commitments under non-cancellable operating leases expiring as follows:

|                          | Land and<br>buildings | Other          | Land and<br>buildings | Other          |
|--------------------------|-----------------------|----------------|-----------------------|----------------|
|                          | 2012                  | 2012           | 2010                  | 2010           |
|                          | £                     | £              | £'000                 | £'000          |
| Within one year          | 12,861                | 139,556        | 5,712                 | 13,276         |
| Within two to five years | 139,250               | 191,074        | 142,000               | 330,385        |
| After five years         | 87,000                |                | 98,000                | -              |
| <b>Total</b>             | <b>239,111</b>        | <b>330,630</b> | <b>245,712</b>        | <b>343,661</b> |



# David Ormerod Hearing Centres Limited

## Notes to the financial statements for the period ended 31 March 2012 (continued)

### 20. Share based payments

Under UK Gaap, a charge is made to the profit and loss account based on the fair value of the grants in accordance with Financial Reporting Standard 20 'Share-based payment'. All share awards are equity settled.

The charge to the profit and loss account for the period ended 31 March 2012 was £19,098 (year to 30 September 2010 £76,392)

| Number of options | First tranche |
|-------------------|---------------|
| Opening number    | 74            |
| Granted           | -             |
| Lapsed            | -             |
| Exercised         | (74)          |
| Closing number    | -             |

On the 23 March 2011, the option holders exercised 74 options the Company's 'B' shares. The exercise price of these options was £2,650 per share.

### 21. Ultimate parent company and ultimate controlling party

The company's immediate parent company is Sonova Holding AG, a company incorporated in Switzerland.

The ultimate parent company and controlling party is Sonova Holding AG, a company incorporated in Switzerland which heads the largest group of which the company is a member. Copies of the ultimate parent company's financial statements can be obtained from:

Sonova Holding AG  
Laubisruetistrasse 28  
8712 Staefa  
Switzerland