Davis Healthcare Services Limited

Directors' report and financial statements

Registered number 0443223

31 January 2001

Contents

Directors and Officers

Directors
KC Abrahams
PJF Corey — Appointed 14 December 2000
DR Davis
HG Grist
KH Kyöstilä
TO Lokki
V Mäkelä
AK Pitkänen
DJ Smith

Secretary
DR Davis

Registered Office
Summit House
Summit Road
Potters Bar
Herts EN6 3EE

Auditors
KPMG
Aquis Court
31 Fishpool Street
St Albans
Herts
AL3 4RF

Bankers
Bank of Scotland
Edinburgh Business Centre
PO Box no.12
Uberior House
61 Grassmarket
Edinburgh
EH1 2JF

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2001.

Principal activities and review of business

The company carries on the business of retail and wholesale distributors of dental and other healthcare products.

Results and dividends

The operating loss for the year was £236,000 *(2000: profit of £213,000)*. The loss after interest and before tax, was £392,000 *(2000: profit of £104,000)*. The retained loss will be transferred from reserves.

The company continued its restructuring during 2000/01. This involved additional short term increases in overheads and disturbed sales growth. This, coupled with an unstable market, contributed to the loss for the current year.

The directors do not recommend the payment of a dividend *(2000: £nil)*.

Directors and their interests

The following directors held office during the year:

KC Abrahams
PJF Corey (Appointed 14 December 2000)
DR Davis
HG Grist
KH Kyöstilä
TO Lokki
V Mäkelä
AK Pitkänen
DJ Smith

The following director held interests in the shares of the company at the beginning and end of the financial year as follows:

	£1 Ordinary shares fully paid	
	2001	2000
HG Grist	**50,005**	50,005

The interests of the directors in the shares of the holding company are detailed in the holding company's accounts.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company, or any other group company, were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Notes *(continued)*

Introduction of the Euro

The directors do not consider that the impact on the company of the introduction of the Euro will be significant.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

30/3/2001

KC Abrahams
Director

Summit House
Summit Road
Potters Bar
Herts
EN6 3EE

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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Aquis Court
31 Fishpool Street
St Albans
Hertfordshire, AL3 4RF

Report of the auditors to the members of Davis Healthcare Services Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

Basis of audit opinion

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

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

Opinion

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

KPMG

KPMG
Chartered Accountants
Registered Auditors

30 MARCH 2001

Profit and loss account
for the year ended 31 January 2001

	Note	**2001 £000**	2000 £000
Turnover	*2*	**17,024**	17,236
Cost of sales		**(11,901)**	(11,812)
Gross profit		**5,123**	5,424
Distribution costs		**(4,161)**	(3,972)
Administrative expenses		**(1,198)**	(1,239)
Operating (loss)/profit		**(236)**	213
Other interest receivable and similar income	*4*	**12**	42
Interest payable and similar charges	*5*	**(168)**	(151)
Loss on ordinary activities before taxation		**(392)**	104
Tax on profit on ordinary activities	*6*	**-**	-
Loss/ (Profit after taxation)		**(392)**	104
Dividends: ordinary proposed	*7*	**-**	-
Dividends: preference share paid	*7*	**-**	-
Retained (loss)/profit for the year and transferred (from)/ to reserves	*18*	**(392)**	104

Davis Healthcare Services Limited has no recognised gains or losses other than the result for the year which arises solely from continuing operations.

Balance sheet
at 31 January 2001

	Note		2001 £000		2000 £000
Fixed assets					
Tangible assets	8		**1,036**		1,352
Investments	9		**5**		5
			1,041		1,357
Current assets					
Stocks	10	**2,715**		3,294	
Debtors	11	**2,700**		3,095	
Cash at bank and in hand		**22**		85	
		5,437		6,474	
Creditors: amounts falling due within one year	12	**(3,653)**		(4,304)	
Net current assets			**1,784**		2,170
Total assets less current liabilities			**2,825**		3,527
Creditors: amounts falling due after more than one year	13		**(1,100)**		(1,410)
Net assets			**1,725**		2,117
Capital and reserves					
Called up share capital	17		**1,100**		1,100
Capital redemption reserve	18		**500**		500
Profit and loss account	18		**125**		517
Equity Shareholders' funds	19		**1,725**		2,117

These financial statements were approved by the board of directors on and were signed on its behalf by:

30/3/2001

KC Abrahams
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The company has not prepared group accounts as it is exempt from the requirement to do so by section 229(2) of the Companies Act 1985. These financial statements present information about the company as an individual undertaking and not about its group.

As 91% of the company's voting rights are controlled within the group headed by Planmeca Oy, its controlling and ultimate controlling party, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Planmeca Oy, within which the company is included, can be obtained from the address given in note 24.

Turnover

Turnover represents amounts receivable for goods and services provided in the UK and overseas net of trade discounts, VAT and other related taxes.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold property	-	over the length of the lease
Fixtures and fittings:		
- general equipment	-	10% reducing balance over expected useful life and between 10 and 20% straight line
- computer	-	40% straight line
- tools	-	20% straight line
Motor vehicles	-	25% straight line
New computer system	-	20% straight line

Stocks

Stocks are stated at the lower of cost and net realisable value.

Foreign currency

Transactions in foreign currency are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency, except those covered by forward contracts, are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

Accounting policies *(continued)*

Leasing and hire purchase commitments

Assets acquired under hire purchase contracts and finance lease agreements are capitalised and the liabilities for capital repayments are included in creditors. Finance charges are written off over the period of the agreement so as to produce a constant periodic rate of charge.

Operating lease rentals are charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation is provided on all timing differences where it is probable that a liability for the payment of such taxation will arise in the foreseeable future.

Pension scheme

The company operates a defined contribution scheme. Contributions to the defined contribution scheme are charged to the profit and loss account as they fall due.

2 Turnover

All turnover and profits before taxation are derived from the company's principal activity.

Analysis of turnover by geographical market	**2001**	2000
	£000	£000
United Kingdom	**16,748**	17,032
Other EC	**243**	157
Non EC	**33**	47
	17,024	17,236

3 Profit on ordinary activities before taxation

	2001	2000
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors remuneration		
- as auditors	**15**	14
- other	**2**	-
Depreciation	**446**	392
(Profit) /Loss on disposal of fixed assets	**(1)**	(5)
Operating lease rentals:		
- plant and machinery	**5**	5
- land and buildings	**243**	241
Exchange gains	**(184)**	(209)

Notes *(continued)*

4 Other interest receivable and similar income

	2001	2000
	£000	£000
Interest on bank deposits	**3**	12
Other	**9**	30
	12	42

5 Interest payable and similar charges

	2001	2000
	£000	£000
On bank loans and overdrafts	**140**	122
Finance charges payable in respect of finance leases and hire purchase contracts	**28**	29
	168	151

6 Taxation

No taxation has been provided due to the existence of taxable losses. Taxable losses carried forward as at 31 January 2001 are £2,266,000 *(2000: £2,032,000).*

7 Dividends

	2001	2000
	£000	£000
Equity shares:		
Interim dividend proposed	**-**	-
Final dividend proposed	**-**	-
	-	-
Dividends on non-equity shares:		
Preference dividend paid	**-**	-

Notes *(continued)*

8 Tangible Fixed Assets

	Leasehold improvements	Motor vehicles	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of year	339	835	1,816	2,990
Additions	-	57	90	147
Disposals	-	(75)	(446)	(521)
At end of year	339	817	1,460	2,616
Depreciation				
At beginning of year	205	344	1,089	1,638
Charge for year	22	205	219	446
On disposals	-	(58)	(446)	(504)
At end of year	227	491	862	1,580
Net book value				
At 31 January 2001	**112**	**326**	**598**	**1,036**
At 1 February 2000	134	491	727	1,352

Included in tangible fixed assets are motor vehicles with a net book value of £203,845 *(2000: £491,000)* held under hire purchase contracts. Depreciation charged on these assets was £77,411 (*2000: £177,000)*.

Included in fixtures, fittings, tools and equipment are assets relating to the computer system with a total net book value of £56,000 *(2000: £175,000)* held on finance leases. Depreciation charged on these assets was £24,000 *(2000: £41,000)*.

9 Investments

	2001	2000
	£000	£000
At beginning and end of the year	**5**	5

Notes *(continued)*

9 Investments *(continued)*

This is represented by the holding of 100% of the ordinary share capital in the following dormant companies incorporated in England and Wales.

Alex Bell (Dental Supplies) Limited
Claudius Ash Sons and Company Limited
Flexico Developments Limited
J&S Davis Limited
Mouth Care Company Limited
Orthologic Limited

10 Stock

	2001	2000
	£000	£000
Goods for resale	2,715	3,294

11 Debtors: amounts falling due within one year

	2001	2000
	£000	£000
Trade debtors	2,517	2,891
Amounts owed by group undertakings	23	14
Other debtors	48	37
Prepayments and accrued income	112	153
	2,700	3,095

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank loans and overdrafts	**661**	498
Obligations under finance leases and hire purchase contracts	**141**	243
Trade creditors	**1,382**	1,772
Amounts owed to group undertakings	**483**	781
Taxation and social security costs	**373**	399
Other creditors	**163**	181
Accruals and deferred income	**450**	430
Proposed dividend	-	-
	3,653	4,304

The bank overdraft is secured by a fixed and floating charge on all assets.

13 Creditors: amounts falling due after one year

	2001 £000	2000 £000
Bank loans	**1,090**	1,316
Obligations under finance leases and hire purchase contracts	**10**	94
	1,100	1,410

The £1,750,000 loan from Bank of Scotland is repayable in 108 equal monthly instalments ending on 5 July 2007. Interest is charged at 1.75% above LIBOR.

The £87,500 loan from Merita Bank Ltd is repayable in 20 equal quarterly instalments ending on 31 July 2002. Interest is charged at 1% above LIBOR.

The £40,000 loan from Bank of Scotland is repayable in 36 equal monthly instalments ending on 6 April 2002. Interest is charged at 1.75% above LIBOR.

The banks loans are repayable as follows:

	2001 £000	2000 £000
In one year or less, or on demand	**661**	498
Between one and two years	**215**	225
Between two and five years	**583**	604
In five years or more	**292**	487
	1,751	1,814

Notes *(continued)*

14 Obligations under finance leases

The net obligation under finance leases is repayable as follows:	**2001 £000**	2000 £000
Within one year	**141**	243
In the second to fifth years	**10**	94
	151	337

15 Deferred taxation

No provision has been made for deferred tax because of the incidence of past trading losses, for the quantum of these losses see note 6. The full potential liability for deferred taxation as at 31 January 2001, which is not provided in view of the existence of these losses, arises as follows:

	2001 Provided £000	**2001 Unprovided £000**	2000 Provided £000	2000 Unprovided £000
Difference between accumulated depreciation and capital allowances at 31% *(2000: 30.2%)*	-	-	-	41
Other timing differences at 31% *(2000: 30.2%)*	-	-	-	-
	-	-	-	41

16 Pension scheme

The company operates a defined contribution scheme, the assets of which are held separately from those of the company, being invested with insurance companies. Contributions to the scheme in the current year totalled £193,000 *(2000: £178,000)*. There were no prepaid or outstanding contributions at the year end *(2000: £nil)*.

Notes *(continued)*

17 Share capital

Called up share capital	Authorised 2001 Number	Authorised 2000 Number	Allotted, called up and fully paid 2001 £000	Allotted, called up and fully paid 2000 £000
Equity Ordinary shares of £1 each	**1,104,102**	1,104,102	**1,100**	1,100
	1,104,102	1,104,102	**1,100**	1,100

18 Reserves

	Capital Redemption reserve £000	Profit and Loss account £000
As at 1 February 2000	**500**	**517**
(Loss)/Profit for the year	**-**	**(392)**
As at 31 January 2001	**500**	**125**

19 Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
(Loss)/Profit for the financial year	**(392)**	104
Dividends	-	-
Preference shares redeemed	-	-
Opening shareholders' funds	**2,117**	2,013
Closing shareholders' funds	**1,725**	2,117

Notes *(continued)*

20 Contingent liabilities

There is a contingent liability not exceeding £70,000 *(2000: £70,000)* in respect of guarantees given to HM Customs & Excise in relation to the import of goods.

21 Financial commitments

a) Operating leases

Annual commitments under non-cancellable operating lease agreements are as follows:

	Land and buildings		**Other**	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Within one year	**1**	10	**1**	1
Between two and five years	**-**	5	**2**	2
After five years	**255**	255	**-**	-
	256	270	**3**	3

b) Capital commitments

At 31 January 2001 the directors had not contracted for any capital expenditure.

c) Forward exchange contracts

	2001	2000
	£000	£000
Forward exchange contracts	**1,738**	1,287

22 Remuneration of directors

	2001	2000
	£000	£000
Directors emoluments	**215**	223
Compensation for loss of office	**-**	-
Company contributions to money purchase pension schemes	**19**	19
	234	242

The aggregate of emoluments of the highest paid director was £73,000 *(2000: £76,000)* and company pension contributions of £6,000 *(2001: £6,000)* were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to 3 directors under money purchase schemes *(2000: 3).*

Notes *(continued)*

23 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was:

	2001 Number	2000 Number
Office and management	**24**	24
Selling and distribution	**107**	109
	131	133

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	**2,685**	2,649
Social security costs	**265**	253
Other pension costs	**193**	178
	3,143	3,080

24 Ultimate parent company

Planmeca Oy, incorporated in Finland, is regarded by the directors as being the ultimate parent company.

Planmeca Oy prepares consolidated accounts which include the results of Davis Healthcare Services Limited. Planmeca Oy is the controlling party and heads the smallest and largest group to which Davis Healthcare Services Limited is a member. Copies of these accounts are available from the parent undertaking at their head office at Asentajankatu 6, SF-00810, Helsinki, Finland.