Davis Healthcare Services Limited

Directors' report and financial statements

Registered number 0443223

31 January 2002

Contents

Directors and officers

Directors
KC Abrahams
PJF Corey
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 LLP
Aquis Court
31 Fishpool Street
St Albans
Herts
AL3 4RF

Bankers
Bank of Scotland
Edinburgh and Lothians Business Centre
Level 7
Orchard Brae House
30 Queensferry Road
Edinburgh
EH4 2UZ

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2002.

Principal activities

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

Business review and proposed dividend

The operating profit for the year was £102,000 *(2001: operating loss of £236,000)*. The profit after interest and before tax, was £1,000 *(2001: loss of £392,000)*. The retained profit will be transferred to reserves.

The company continued to improve its operating capabilities and to reposition its sales and marketing focus. This should bring further profitable improvements in future years.

The directors do not recommend the payment of a dividend *(2001: £nil)*.

Directors and directors' interests

The following directors held office during the year:

KC Abrahams
PJF Corey
DR Davis
HG Grist
KH Kyöstilä
TO Lokki
V Mäkelä
AK Pitkänen
DJ Smith

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

	£1 Ordinary shares fully paid	
	Interest at end of year	Interest at start of year
HG Grist	**50,005**	50,005

The interests of the directors in the shares of the holding company, Planmeca Oy, 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)*

Auditors

The group has passed an elective resolution to dispense with the annual appointment of auditors; accordingly KPMG remained in office at the beginning of the current financial year. However, during the current financial year their audit practice was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 14 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

By order of the board

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

Independent auditor's report to the members of Davis Healthcare Services Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditor

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 auditor, 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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

2 Oct 2002

Profit and loss account

for the year ended 31 January 2002

	Note	2002 £000	2001 £000
Turnover	2	**17,678**	17,024
Cost of sales		**(12,105)**	(11,901)
Gross profit		**5,573**	5,123
Distribution costs		**(4,134)**	(4,161)
Administrative expenses		**(1,337)**	(1,198)
Operating profit/(loss)	3	**102**	(236)
Other interest receivable and similar income	6	**24**	12
Interest payable and similar charges	7	**(125)**	(168)
Profit/(loss) on ordinary activities before taxation		**1**	(392)
Tax on profit/(loss) on ordinary activities	8	**-**	-
Profit/(loss) for the financial year	19/20	**1**	(392)

There are no recognised gains or losses other than those stated in the profit and loss account.

All results for the current and preceding years are derived from continuing operations.

Balance sheet
at 31 January 2002

	Note		2002 £000		2001 £000
Fixed assets					
Tangible assets	*9*		**774**		1,036
Investments	*10*		**5**		5
			779		1,041
Current assets					
Stocks	*11*	**3,157**		2,715	
Debtors	*12*	**3,570**		2,700	
Cash at bank and in hand		**40**		22	
		6,767		5,437	
Creditors: amounts falling due within one year	*13*	**(4,697)**		(3,653)	
Net current assets			**2,070**		1,784
Total assets less current liabilities			**2,849**		2,825
Creditors: amounts falling due after more than one year	*14*		**(1,123)**		(1,100)
Net assets			**1,726**		1,725
Capital and reserves					
Called up share capital	*18*		**1,100**		1,100
Capital redemption reserve	*19*		**500**		500
Profit and loss account	*19*		**126**		125
Equity shareholders' funds	*20*		**1,726**		1,725

These financial statements were approved by the board of directors on 1st October 2002 and were signed on its behalf by:

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 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 23.

Turnover

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

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 improvements	-	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 equipment	-	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)*

1 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 recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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	**2002**	2001
	£000	£000
United Kingdom	**17,318**	16,748
Other EC countries	**319**	243
Non EC countries	**41**	33
	17,678	17,024

Notes *(continued)*

3 Profit/(loss) on ordinary activities before taxation

	2002	2001
	£000	£000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Auditors remuneration		
- audit	**17**	15
- other services	**2**	2
Depreciation and other amounts written off tangible assets		
- owned	**341**	345
- leased	**55**	101
Profit on disposal of fixed assets	**(14)**	(1)
Operating lease rentals:		
- plant and machinery	**2**	5
- land and buildings	**225**	243
Exchange gains	**(74)**	(184)

4 Remuneration of directors

	2002	2001
	£000	£000
Directors emoluments	**252**	215
Company contributions to money purchase pension schemes	**23**	19
	275	234

The aggregate of emoluments of the highest paid director was £75,000 *(2001: £73,000)* 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 4 directors under money purchase schemes *(2001: 3)*.

5 Staff numbers and costs

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

	2002 Number of employees	2001 Number of employees
Office and management	**24**	24
Sales and distribution	**98**	107
	122	131

Notes *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£000	£000
Wages and salaries	**2,783**	2,685
Social security costs	**265**	265
Other pension costs	**238**	193
	3,286	3,143

6 Other interest receivable and similar income

	2002	2001
	£000	£000
Interest on bank deposits	**4**	3
Other	**20**	9
	24	12

7 Interest payable and similar charges

	2002	2001
	£000	£000
On bank loans and overdrafts	**110**	140
Finance charges payable in respect of finance leases and hire purchase contracts	**15**	28
	125	168

Notes *(continued)*

8 Taxation

(a) Analysis of charge in period

	2002	2001
	£000	£000
UK corporation tax		
Current tax on income for the period	-	-
Total current tax	-	-

(b) Factors affecting the tax charge for the current period

The current tax charge for the period is equal to the standard rate of corporation tax in the UK (30 %).

(c) Factors that may affect future tax charges

Tax losses amounting to £2,140,091 (2001: £2,294,138) are available to relieve future profits of the company.

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements	Motor vehicles	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of year	339	817	1,460	2,616
Additions	-	133	15	148
Disposals	-	(192)	-	(192)
At end of year	339	758	1,475	2,572
Depreciation				
At beginning of year	227	491	862	1,580
Charge for year	22	176	198	396
On disposals	-	(178)	-	(178)
At end of year	249	489	1,060	1,798
Net book value				
At 31 January 2002	**90**	**269**	**415**	**774**
At 1 February 2001	112	326	598	1,036

Included in tangible fixed assets are motor vehicles with a net book value of £119,000 *(2001: £204,000)* held under hire purchase contracts. Depreciation charged on these assets for the financial year was £14,000 *(2001: £77,000)*.

Included in fixtures, fittings, tools and equipment are assets relating to the computer system with a total net book value of £84,000 *(2001: £56,000)* held on finance leases. Depreciation charged on these assets for the financial year was £41,000 *(2001: £24,000)*.

10 Fixed asset investments

	2002	2001
	£000	£000
Net book value at beginning and end of the year	**5**	5

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

Notes *(continued)*

11 Stocks

	2002 £000	2001 £000
Goods for resale	**3,157**	2,715

12 Debtors

	2002 £000	2001 £000
Trade debtors	**3,382**	2,517
Amounts owed by group undertakings	**51**	23
Other debtors	**12**	48
Prepayments and accrued income	**125**	112
	3,570	2,700

13 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	**782**	661
Obligations under finance leases and hire purchase contracts (see note 15)	**52**	141
Trade creditors	**1,532**	1,382
Amounts owed to group undertakings	**1,168**	483
Taxation and social security	**479**	373
Other creditors	**258**	163
Accruals and deferred income	**426**	450
	4,697	3,653

The bank overdraft is secured by a fixed and floating charge on all assets as well as the assignation of the companies keyman policies.

The £87,500 loan from Merita Bank Ltd is repayable in 20 equal quarterly instalments ending on 30 November 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.

Notes *(continued)*

14 Creditors: amounts falling due after one year

	2002 £000	2001 £000
Bank loans	**1,069**	1,090
Obligations under finance leases and hire purchase contracts (see note 15)	**54**	10
	1,123	1,100

The £1,069,000 loan from Bank of Scotland is repayable in 120 equal monthly instalments commencing on 5 January 2003 and ending on 12 December 2012. Interest is charged at 1.75% above LIBOR.

Analysis of debt:

	2002 £000	2001 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	**782**	661
Between one and two years	**100**	215
Between two and five years	**300**	583
In five years or more	**669**	292
	1,851	1,751

15 Obligations under finance leases

The net obligation under finance leases is repayable as follows:	2002 £000	2001 £000
Within one year	**52**	141
In the second to fifth years	**54**	10
	106	151

Notes *(continued)*

16 Deferred taxation

The company has adopted FRS19. The undiscounted deferred tax asset of £650,000 *(2001: £654,000)* relating primarily to tax losses brought forward has not been recognised on the grounds that there is insufficient evidence that there will be suitable future taxable profits from which the losses can be deducted.

17 Pension scheme

The company operates a defined contribution scheme, the assets of which are held separately from those of the company and being invested with insurance companies. Contributions to the scheme in the current year totalled £238,000 *(2001: £193,000)*. There is a prepayment to the scheme of £18,000, but no outstanding contributions at the end of the year.

18 Called up share capital

	Authorised		**Allotted, called up and fully paid**	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Equity: Ordinary shares of £1 each	**1,104**	1,104	**1,100**	1,100

19 Reserves

	Capital redemption reserve £000	**Profit and loss account £000**
As at the beginning of the year	**500**	**125**
Profit for the year	-	**1**
As at the end of the year	**500**	**126**

Notes *(continued)*

20 Reconciliation of movements in shareholders' funds

	2002	2001
	£000	£000
Profit/(loss) for the financial year	**1**	(392)
Net addition to/(reduction in) shareholders' funds	**1**	(392)
Opening shareholders' funds	**1,725**	2,117
Closing shareholders' funds	**1,726**	1,725

21 Contingent liabilities

There is a contingent liability not exceeding £70,000 *(2001: £70,000)* in respect of guarantees given to HM Customs & Excise in relation to the import of goods.

22 Commitments

a) Operating leases

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

	Land and buildings		**Other**	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Operating leases which expire:				
Within one year	**-**	1	**1**	1
Between two and five years	**190**	-	**-**	2
After five years	**71**	255	**-**	-
	261	256	**1**	3

b) Capital commitments

At 31 January 2002 the directors had not contracted for any capital expenditure.

c) Forward exchange contracts	**2002**	2001
	£000	£000
Forward exchange contracts	**1,969**	1,738

Notes *(continued)*

23 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.