

Davis Healthcare Services Limited

Directors' report and financial statements

31 January 1999

Registered number 0443223



Directors' report and financial statements

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Directors and Officers

Directors

KC Abrahams	
DR Davis	
HG Grist	
G Kenneth	Resigned 5 February 1998
KH Kyöstiä	
V Mäkelä	
MJ McBryde	Resigned 5 March 1998
AK Pitkänen	Appointed 12 February 1998
DJ Smith	
O Vuoksinen	Resigned 3 December 1998
Tuomas Lokki	Appointed 20 May 1999

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
PO Box 5
The Mound
Edinburgh
EH1 1YZ

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 1999.

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 directors consider the results for the year to be indicative of the company's profitable development.

The operating profit for the year was £597,928 (1998: £499,705). The profit after interest, was £478,819 (1998: £393,711). The directors recommend that the retained profit is transferred to reserves.

The directors recommend the payment of a dividend of £158,889 (1998: £Nil), payable in two equal instalments on 22 July 1999 and 22 October 1999.

Directors and their interests

The following directors held office throughout the year:

KH Kyöstiä	
G Kenneth	(Resigned 5 February 1998)
HG Grist	
KC Abrahams	
AK Pitkänen	(Appointed 12 February 1998)
DR Davis	
V Mäkelä	
MJ McBryde	(Resigned 5 March 1998)
DJ Smith	
O Vuoksinen	(Resigned 3 December 1998)

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	
	1999	1998
Mr HG Grist	50,005	50,005

Mr G Kenneth is a director of Oakland Capital Management Limited who are the management company of Oakland Development Capital Fund Limited which owns 50,005 (1998: 50,005) £1 ordinary shares in Davis Healthcare Services Limited.

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.

Directors' report (*continued*)

Year 2000 compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000. We have assessed the likely impact on our activities and are developing action plans to deal with the key risks.

Much of the cost of implementing the action plans will be subsumed into recurring activities of the company.

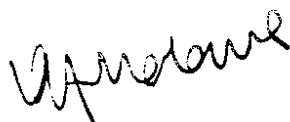
Introduction of the Euro

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


KC Abrahams
Director

7th October 1999

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.



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

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

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

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

16/01/99

KPMG

Chartered Accountants

Registered Auditors

14 0000 111

Profit and loss account
for the year ended 31 January 1999

	<i>Note</i>	1999 £	1998 £
Turnover	2	17,774,450	17,194,823
Cost of sales		(12,411,547)	(11,994,491)
		<hr/>	<hr/>
Gross profit		5,362,903	5,200,332
Distribution costs		(3,770,998)	(3,578,103)
Administrative expenses		(993,977)	(1,122,524)
		<hr/>	<hr/>
Operating profit	3	597,928	499,705
Interest receivable	4	63,717	53,542
Interest payable and similar charges	5	(182,826)	(159,536)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		478,819	393,711
Taxation	6	(430)	(1,779)
		<hr/>	<hr/>
Profit after taxation		478,389	391,932
Dividends: ordinary proposed	7	(158,889)	-
Dividends: preference share paid	7	(1,721)	(7,114)
		<hr/>	<hr/>
Retained profit for the year	18	317,779	384,818
		<hr/> <hr/>	<hr/> <hr/>


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

Balance sheet
at 31 January 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	8	1,252,824	1,153,068
Investments	9	5,307	5,307
		<hr/>	<hr/>
		1,258,131	1,158,375
Current assets			
Stocks	10	3,023,501	2,530,376
Debtors			
- due within one year	11	2,776,146	3,251,951
- due after more than one year	11	-	104,483
Cash at bank and in hand		313,132	1,063
		<hr/>	<hr/>
		6,112,779	5,887,873
Creditors: amounts falling due within one year	12	(3,763,620)	(3,411,441)
		<hr/>	<hr/>
Net current assets		2,349,159	2,476,432
		<hr/>	<hr/>
Total assets less current liabilities		3,617,290	3,634,807
Creditors: amounts falling due after more than one year	13	(1,593,828)	(1,814,126)
		<hr/>	<hr/>
Net assets		2,013,462	1,820,681
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	1,100,102	1,225,100
Capital redemption reserve	18	500,000	375,002
Profit and loss account	18	413,360	220,579
		<hr/>	<hr/>
Shareholders' funds	19	2,013,462	1,820,681
		<hr/>	<hr/>
Analysis of shareholders' funds			
Equity	19	2,013,462	1,695,683
Non-equity		-	124,998
		<hr/>	<hr/>
		2,013,462	1,820,681
		<hr/>	<hr/>

These financial statements were approved by the board of directors on
by:

and were signed on its behalf


KC Abrahams
Director

7th October 1999

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.

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	-	between 10% reducing balance over expected useful life and 20% straight line
- computer	-	20-25% straight line
- tools	-	20% straight line
Motor vehicles	-	25% 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.

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

Notes (continued)

Accounting policies (continued)

Deferred taxation

Deferred taxation is provided on all timing differences where a liability for the payment of such taxation is expected to 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	1999 £	1998 £000
United Kingdom	17,379,884	16,941,653
Other EC	358,596	130,468
Non EC	35,970	122,702
	<hr/>	<hr/>
	17,774,450	17,194,823
	<hr/>	<hr/>

3 Operating profit is stated after charging/(crediting)

	1999 £	1998 £
Auditors remuneration		
- as auditors	10,100	10,000
- other services	-	11,000
Depreciation	282,625	243,516
Directors' emoluments (see note 22)	274,104	255,991
Loss/(Profit) on disposal of fixed assets	16,991	(5,802)
Operating lease rentals:		
- plant and machinery	9,126	4,527
- land and buildings	276,454	272,720
	<hr/>	<hr/>

Notes (continued)

4 Other interest receivable and similar income

	1999 £	1998 £
Interest on bank deposits	15,713	-
Other	48,004	53,542
	<hr/> 63,717 <hr/>	<hr/> 53,542 <hr/>

5 Interest payable and similar charges

	1999 £	1998 £
<i>Interest payable</i>		
Bank loans and overdraft	153,598	142,836
Interest on hire purchase contracts	29,228	16,700
	<hr/> 182,826 <hr/>	<hr/> 159,536 <hr/>

6 Taxation

	1999 £	1998 £
Irrecoverable ACT	430	1,779
	<hr/>	<hr/>

No taxation has been provided due to the existence of taxable losses. Losses carried forward are £2,277,127 (1998: £2,893,596).

7 Dividends

	1999 £	1998 £
Equity shares:		
Interim dividend proposed	79,444	-
Final dividend proposed	79,445	-
	<hr/> 158,889 <hr/>	<hr/> - <hr/>
Dividends on non-equity shares:		
Preference dividend paid	1,721	7,114
	<hr/>	<hr/>

Notes (continued)

8 Tangible Fixed Assets

	Motor vehicles	Leasehold improvements	Fixtures, fittings, tools and equipment	Total
	£	£	£	£
Cost				
At beginning of year	701,075	304,181	1,395,870	2,401,126
Additions	266,833	17,272	157,956	442,061
Disposals	(220,766)	-	-	(220,766)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	747,142	321,453	1,553,826	2,622,421
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	240,077	173,529	834,452	1,248,058
Charged in year	177,525	14,016	91,084	282,625
Disposals	(161,086)	-	-	(161,086)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	256,516	187,545	925,536	1,369,597
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 January 1999	490,626	133,908	628,290	1,252,824
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 February 1998	460,998	130,652	561,418	1,153,068
	<hr/>	<hr/>	<hr/>	<hr/>

Included in tangible fixed assets are motor vehicles with a net book value of £490,625 (1998: £327,030) held under hire purchase contracts. Depreciation charged on these assets was £156,974 (1998: £54,047).

Included in fixtures, fittings, tools and equipment is the computer system with a net book value of £169,620 (1998: £138,768) held on finance lease. Depreciation charged on this asset was £9,689 (1998: £9,381).

9 Investments

	1999 £	1998 £
At the beginning and the end of the year	5,307	5,307
	<hr/>	<hr/>

Notes (continued)

Investments (continued)

This is represented by the holding of 100% of the ordinary share capital in the following dormant companies registered 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

	1999 £	1998 £
Goods for resale	3,023,501	2,530,376
	<u> </u>	<u> </u>

11 Debtors: amounts falling due within one year

	1999 £	1998 £
Trade debtors	2,568,303	2,952,274
Amounts owed by parent undertaking and fellow subsidiary undertakings	4,864	2,628
Other debtors	26,761	34,793
Pension prepayment	89,243	160,000
Other prepayments and accrued income	86,975	102,256
	<u> </u>	<u> </u>
	2,776,146	3,251,951
Amounts falling due after one year		
Pension prepayment	-	104,483
	<u> </u>	<u> </u>
	2,776,146	3,356,434
	<u> </u>	<u> </u>

Notes (continued)

12 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank loans and overdrafts	211,948	213,955
Trade creditors	1,457,356	1,411,772
Obligations under finance leases (note 14)	266,124	225,213
Amounts owed to parent undertaking and fellow subsidiary undertakings	739,478	624,178
Amounts owed to subsidiary undertakings	4,107	4,107
Other taxes and social security costs	352,458	390,393
Other creditors	110,356	103,066
Accruals	462,904	438,757
Proposed dividend	158,889	-
	<hr/> 3,763,620 <hr/>	<hr/> 3,411,441 <hr/>

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

13 Creditors: amounts falling due after one year

	1999 £	1998 £
Obligations under finance leases (note 14)	82,996	91,438
Bank loans	1,510,832	1,722,778
	<hr/> 1,593,828 <hr/>	<hr/> 1,814,216 <hr/>

The £1,750,000 loan from Bank of Scotland is repayable in 108 equal monthly instalments that commenced on 5 August 1998. Interest is charged at 1.75% above LIBOR.

The £87,500 loan from Merita Bank Ltd is repayable in 14 equal quarterly instalments ending on 31 July 2002. Interest is charged at 1% above LIBOR.

The banks loans are repayable as follows:

	1999 £	1998 £
Within one year	211,948	114,722
Between 1 to 5 years	830,294	847,983
Over 5 years	680,538	874,795
	<hr/> 1,722,780 <hr/>	<hr/> 1,837,500 <hr/>

Notes (continued)

14 Obligations under finance leases

	1999 £	1998 £
The net obligation under finance leases is repayable as follows:		
In one year or less	266,124	225,213
Between two and five years	82,996	91,438
	<hr/> 349,120 <hr/>	<hr/> 316,651 <hr/>

15 Deferred taxation

No provision has been made for deferred tax because of the incidence of past trading losses. The full potential liability for deferred taxation as at 31 January 1999, which is not provided in view of these losses, arises as follows:

	1999 Unprovided £	1998 Unprovided £
Difference between accumulated depreciation and capital allowances at 31% (1998: 31%)	45,460	72,829
Timing differences on pension prepayment at 31% (1998: 31%)	27,665	81,990
	<hr/> 73,125 <hr/>	<hr/> 154,819 <hr/>

16 Pension scheme

The company operates a defined contribution scheme, the assets of which are held separately from those of the Group, being invested with insurance companies.

The overfunding from the previous defined benefit scheme is regarded as a prepayment in these accounts. The profit and loss charge of £175,240 (1998: £131,047) is net of interest receivable of £24,461 (1998: £29,580) which has been accrued on the prepayment.

Notes (continued)

17 Share capital

Called up share capital	Authorised		Issued	
	1999 Number	1998 Number	1999 £	1998 £
£1 ordinary shares	1,104,102	1,104,102	1,100,102	1,100,102
£1 redeemable preference shares	-	500,000	-	124,998
	<u>1,104,102</u>	<u>1,604,102</u>	<u>1,100,102</u>	<u>1,225,100</u>

Redeemable preference shares

The redeemable preference shares were redeemable at par at the option of the company not later than 30 June 1998. On return of capital on a liquidation, the paid up amount on these shares is repayable before the balance of remaining capital is distributed to ordinary shareholders. Redeemable preference shareholders have received a net cash dividend of 3.75% per annum, since 1 February 1997. Redeemable preference shareholders cannot vote at general meetings in the ordinary course of business.

During the year the company redeemed the balance outstanding of the redeemable preference shares of £124,998.

18 Reserves

	Capital Redemption reserve	Profit and Loss account
	£	£
As at 31 January 1998	375,002	220,579
Profit for the year	-	317,779
Transfer to capital redemption reserve	124,998	(124,998)
	<u>500,000</u>	<u>413,360</u>

19 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	317,779	384,818
Preference shares redeemed	(124,998)	(375,002)
New shares issued	-	-
Opening shareholders' funds	1,820,681	1,810,865
	<u>2,013,462</u>	<u>1,820,681</u>
Closing shareholders' funds	<u>2,013,462</u>	<u>1,820,681</u>
Analysis of shareholders' funds		
Non-equity shareholders' funds	-	124,998
Equity shareholders' funds	2,013,462	1,695,683
	<u>2,013,462</u>	<u>1,820,681</u>

20 Contingent liabilities

There is a contingent liability not exceeding £70,000 (1998: £70,000) in respect of guarantees given to HM Customs & Excise in relation to the import of goods.

21 Financial commitments

a) Operating leases

The company had the following annual commitments under operating lease agreements which expire as follows:

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Within one year	7,466	4,595	1,440	510
Between two and five years	5,000	8,600	2,083	2,472
After five years	253,505	276,920	-	-
	<u>265,971</u>	<u>290,115</u>	<u>3,523</u>	<u>2,982</u>

b) Capital commitments

At 31 January 1999 the directors had authorised no capital expenditure.

c) Forward exchange contracts

	1999	1998
	£	£
Forward exchange contracts	1,550,155	1,052,000
	<u>1,550,155</u>	<u>1,052,000</u>

22 Remuneration of directors

	1999	1998
	£	£
Directors' emoluments	206,205	236,703
Compensation for loss of office	50,000	-
Company contributions to money purchase pension schemes	17,899	19,288
	<u>274,104</u>	<u>255,991</u>

The aggregate of emoluments of the highest paid director was £68,531 (1998: £49,015) and company pension contributions of £5,642 (1998: £4,912) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to 3 directors under money purchase schemes (1998: 3).

23 Employees

The average number of employees of the company during the year was:

	Number	Number
Office and management	20	20
Selling and distribution	108	107
	<hr/>	<hr/>
	128	127
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	2,532,384	2,300,543
Social security costs	227,880	210,460
Pension	175,240	131,047
	<hr/>	<hr/>
	2,935,504	2,642,050
	<hr/> <hr/>	<hr/> <hr/>

24 Related party transactions

As 90% of the company's voting rights are controlled within the group headed by Planmeca Oy, 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 this company is included, can be obtained from the address given in note 25.

25 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.