Company Registration No. 00969297

# KAVO DENTAL LIMITED

## Report and Financial Statements

## 31 December 2019

KAVO DENTAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

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## KAVO DENTAL LIMITED

## REPORT AND FINANCIAL STATEMENTS 2019

## OFFICERS AND PROFESSIONAL ADVISERS

**DIRECTORS**

P Ward
O. Krett
R. Linke

**REGISTERED OFFICE**

The Bower
4 Roundwood Avenue
Stockley Park
Uxbridge - UB11 1AF
United Kingdom

**BANKERS**

HSBC Bank plc
27th Floor
8 Canada Square
London
E14 5HQ
United Kingdom

**AUDITORS**

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU
United Kingdom

## STRATEGIC REPORT

### REVIEW OF BUSINESS

The principal activity of the company during the year was that of wholesalers and retailers of equipment and instruments to the dental profession.

The company continues to focus on four principal divisions comprising Instruments, which include dental and laboratory handpieces, Imaging for both conventional and digital X-ray equipment, High-Tech laboratory equipment for diagnostic and restoration purposes and Equipment, with its wide range of chair treatment units.

Total sales revenue for the year including other inter-company sales was £6,951,000 resulting in a 10% decrease over 2018 sales of £7,681,000.

Profits before tax for the year at £385,000 were 87% lower than 2018 profits of £3,001,000. The decrease in profit was mainly driven by a sale of investments during the year 2018, of £2,881,000.

The Company did not distribute any dividends during 2019.

The company's key financial and other performance indicators were as follows:

| | 2019 | 2018 | Change |
|---|---|---|---|
| | £000 | £000 | % |
| Turnover | 6,951 | 7,681 | (10%) |
| Gross profit | 2,202 | 2,570 | (14%) |
| Profit before tax | 385 | 3,001 | (87%) |
| Average number of employees | 14 | 13 | 8% |

### PRINCIPAL RISKS AND UNCERTAINTIES

The current year presented the company with similar demanding challenges due to the continued effects of the UK recession on dentist revenues. Whilst market conditions and resultant competitive price pressure remain a challenge the business is well positioned to respond to any positive upturn in economic conditions. The company's activities expose it to a number of financial risks including credit risk, cash flow risk, liquidity risk and competitor risk.

Credit risk:

The company's credit risk is primarily attributable to its trade receivables. The amount presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is identified loss event which, based on the previous experience, is evidence of a reduction in the value of future cash flows.

Liquidity risk:

Liquidity risk the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities.

Cash flow risk:

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The Envista UK cash pool arrangement mitigates this risk.

## STRATEGIC REPORT

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Competitor risk:

Competitor risk is the risk of competitor pricing and product development impacting a company's performance. This is mitigated through investment by the group in product development and detailed market analysis.

Covid-19:
The Covid-19 pandemic has presented risks to the overall business. Refer to the Directors report under the Going Concern section for an assessment of the impact of the pandemic to the business.

### FUTURE DEVELOPMENTS

The company continues to sell equipment and instruments to the dental profession and anticipates that it will continue to contribute to the group.

On behalf of the Board

P. J. Ward

Philip Ward

Director

Date: 18 December 2020

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

### RESULTS AND DIVIDENDS

The profit for the year after taxation is £ 365,000 (2018: £2,998,000).

### DIRECTORS

The directors who served during the year were as follows:

P. Ward (appointed 21 August 2019)
O. Krett (appointed 1 November 2020)
R. Linke (appointed 1 November 2020)
K. Ward (resigned 21 August 2019)
A. Aghdaei (resigned 1 November 2020)
H. Witte (resigned 1 November 2020)

### COVID-19 AND GOING CONCERN

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has had a significant impact of the dental sector, in which the Company plays an important part.

The COVID-19 pandemic has, at the time of approving these financial statements, had an adverse impact on the Company. The ability to provide dental services has been impacted by the government restrictions on dental practices. The closure of these dental practices from March to June meant demand for products reduced significantly whilst the lockdown/social distancing/government restrictions remain however there has been some recovery as restrictions are lifted. Whilst our supply chain remains strong and we are working closely with customers it is apparent that the industry will take some time to recover to previous normal levels of activity.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact and further forward into 2021 cannot yet be known but the directors are confident that they have put in place measures to ensure the impact is mitigated as much as possible, with protection of staff, continuity of supply chain, continued service delivery to customers and ongoing productivity is maintained. The directors have prepared forecasts for the remainder of 2020 and 2021 that reflect the ongoing impact of the business and recovery expected in the coming year.

## DIRECTORS' REPORT

### COVID-19 AND GOING CONCERN (continued)

The company is part of the Envista UK Group cash pool arrangement. As part of the group cash pool arrangement, each company has entered unlimited cross guarantees in respect of bank borrowings with fellow participating companies. Each company is also subject to an indemnity offered by Envista Holdings Corporation for all participating companies (for the period during which they remain wholly owned subsidiaries of Envista Holdings Corporation), such that any liability falling on the company as a result of the borrowings from the bank of any other party to the cash pool arrangement will be borne by Envista Holdings Corporation in the event of default.

Despite the impact of the pandemic on the business and industry the company is trading profitably with positive cash flow and strong balance sheet. The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due, but this is not forecast to be required.

The Company has also received a letter of support from its parent company, Envista Holdings Corporation, indicating that it will receive the financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements.

After making due enquiries and considering the impact of COVID-19 and the support available from the parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements. These considerations included the impact of COVID-19 on the wider Envista Holdings Corporation group, the Envista Holdings Corporation group's directors' assessment of going concern as well as the company itself. Accordingly, the financial statements have been prepared on the going concern basis.

### DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

### THIRD PARTY INDEMNITIES

Envista Holdings Corporation has provided to all directors limited indemnities in respect of the cost of defending claims against them and third-party liabilities. These are all third-party indemnity provisions for the purpose of the Companies Act 2006 and are all currently in force.

KAVO DENTAL LIMITED

## DIRECTORS' REPORT

### AUDITORS

In accordance with s. 485 of the Companies Act 2006 a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Philip Ward

P.J. Ward

Director

Date: 18 December 2020

## STATEMENT OF DIRECTOR'S RESPONSIBLITIES

The Directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced disclosure framework. 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 judgments 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVO DENTAL LIMITED

### Opinion

We have audited the financial statements of Kavo Dental Limited for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter – disclosure of effects of COVID-19

We draw attention to notes 2.1 and 18 of the financial statements, which describe the impact on the Company of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVO DENTAL LIMITED

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAVO DENTAL LIMITED

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the
Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Fraser Bull (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: 21 December 2020

## STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 31 December 2019**

| | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **TURNOVER** | 3 | 6,951 | 7,681 |
| Cost of sales | | (4,749) | (5,111) |
| **GROSS PROFIT** | | 2,202 | 2,570 |
| Distribution costs | | (8) | (28) |
| Administrative expenses | | (1,814) | (2,436) |
| **OPERATING PROFIT** | 4 | 380 | 106 |
| Profit on disposal of fixed assets or Investment | | - | 2,881 |
| Interest receivable and similar income | 6 | 8 | 14 |
| Interest payable and similar charges | 7 | (3) | - |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 385 | 3,001 |
| Tax (charge) / credit on profit on ordinary activities | 8 | (20) | (3) |
| **PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, AND TOTAL COMPREHENSIVE INCOME** | | 365 | 2,998 |

The accompanying notes are an integral part of this statement of comprehensive income.

All activities derive from continuing operations.

KAVO DENTAL LIMITED

**Registered number 00969297**

## BALANCE SHEET
**At 31 December 2019**

| | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | | - | 2 |
| Right of Use assets (IFRS 16) | | 143 | - |
| | 9 | **143** | **2** |
| **CURRENT ASSETS** | | | |
| Stock | 10 | 110 | 8 |
| Debtors - due within one year | 11 | 2,827 | 2,755 |
| Deferred tax | 8 | 10 | 12 |
| Cash at bank and in hand | | 506 | 323 |
| | | **3,453** | **3,098** |
| **CREDITORS:** amounts falling due within one year | 12 | (900) | (865) |
| **NET CURRENT ASSETS** | | 2,553 | 2,233 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 2,696 | 2,235 |
| **Lease liabilities:** falling due in greater than one year | 13 | (96) | - |
| **NET ASSETS** | | **2,600** | **2,235** |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 14 | - | - |
| Profit and loss account | | 2,600 | 2,235 |
| **TOTAL SHAREHOLDERS' FUNDS** | | **2,600** | **2,235** |

These financial statements were approved by the Board of Directors on 18 December 2020.

Signed on behalf of the Board of Directors

P. J. Ward

Philip Ward

Director

The accompanying notes are an integral part of this balance sheet.

KAVO DENTAL LIMITED

## STATEMENT OF CHANGES IN EQUITY
**For the year ended 31 December 2019**

| | Called-up share capital £000 | Profit and loss account £000 | Total Shareholders funds £000 |
|---|---|---|---|
| **At 1 January 2018** | 1,050 | 11,187 | 12,237 |
| Dividend payment | - | (13,000) | (13,000) |
| Capital reduction | (1,050) | 1,050 | - |
| Profit and total comprehensive income for the year | - | 2,998 | 2,998 |
| **31 December 2018** | - | 2,235 | 2,235 |
| Profit and total comprehensive income for the year | - | 365 | 365 |
| **At 31 December 2019** | - | 2,600 | 2,600 |

## NOTES TO THE ACCOUNTS
## Year ended 31 December 2019

### 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS101

The financial statements of KAVO Dental Limited (the "Company") were authorised for issue by the board of Directors on 18 December 2020 and the balance sheet was signed on the board's behalf by Philip Ward. KAVO Dental Limited is incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results of KAVO Dental Limited are included in the consolidated financial statements of Envista Holdings Corporation 200 S Kraemer Blvd Building E, Brea, CA 92821, USA.

The principal accounting policies adopted by the Company are set out in note 2.

### 2. ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The Company prepares its financial statements in accordance with FRS 101 reduced disclosure framework.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:
(a) the requirements of IFRS 7 *Financial Instruments: Disclosures,*
(b) the requirements of paragraphs 91-99 of IFRS *13 Fair Value Measurement*
(c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
   (i) paragraph 79(a)(iv) of IAS 1;
   (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
   (iii) paragraph 118(e) of IAS 38 *Intangible Assets;*
(d) the requirements of paragraphs 10(d), 10(f), 38A, 38B, 38C, 38D, 111, and 134-136 of IAS 1 Presentation of Financial Statements;
(e) the requirements of IAS 7 Statement of Cash Flows;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
(i) the requirements of paragraphs 130(f)(ii)-130(f)(iii)) of IAS 36 Impairment of Assets

### 2.1 BASIS OF PREPARATION (continued)

**COVID-19 and Going Concern**

As set out in note 16, the smallest and largest group in which the results of the company are consolidated is that headed by Envista Holdings Corporation, which has confirmed that its Directors have a reasonable expectation that the Envista Holdings Corporation group has adequate resources to continue in operational existence for the foreseeable future and is therefore able to provide financial assistance to the company as required for a period of at least 12 months from approval of the financial statements.

Further details of the impact of COVID-19 on the Company and on the Directors' assessment of going concern are included in the "COVID-19 and going concern" section of the Directors' report and in the post-balance sheet events note. Based on this assessment the financial statements have been prepared on a going concern basis.

### 2.2. CHANGES IN ACCOUNTING STANDARDS

The company has adopted IFRS 16 leases with effect from 1 January 2019. The effect of initially adopting this standard is outlined below.

***IFRS 16 Leases***

IFRS 16 Leases replaces the previous standard IAS 17, and determines how all leases are accounted for and has materially impacted the company's 2019 accounts. The accounting policy is disclosed in note 1l). The company has adopted IFRS 16 using the modified retrospective approach, so that the right-of-use asset is equal to the lease liability on 1 January 2019, adjusted for any rent prepayments or accrued lease payments. The 2018 comparatives have not been restated, as allowed by the specific transitional provisions within the standard. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening balance sheet as at 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases that had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as at 1 January 2019. The table below reconciles the operating lease commitments disclosed under IAS 17, to the lease liability recognised under IFRS 16.

| | £000 |
|---|---|
| Operating lease commitments disclosed under IAS 17 at 31 December 2018 | 190 |
| Discounted using the company's incremental borrowing rate at 1 January 2019 | - |
| Discounted operating lease commitments at 1 January 2019 | 190 |

### 2.2 CHANGES IN ACCOUNTING STANDARDS (continued)

***IFRS 16 Leases (continued)***

| | £000 |
|---|---|
| Lease liability recognised at 1 January 2019 | 190 |
| Of which: | |
| Current lease liabilities | 52 |
| Non-current lease liabilities | 138 |
| | 190 |

The associated right-of-use assets for all leases were measured at an amount equal to the lease liability, adjusted by any prepaid (or accrued) lease payments. The recognised right-of use assets at 1 January 2019 relate to the following types of assets:

| | £000 |
|---|---|
| Motor vehicles | 190 |
| Total right-of-use assets recognised at 1 January 2019 | 190 |

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

| | As previously reported | Impact of IFRS 16 | Restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Non-current assets** | | | |
| Right-of-use assets | - | 190 | 190 |
| Total impact on assets | - | 190 | 190 |
| **Non-current liabilities** | | | |
| **Lease liabilities:** falling due in greater than one year | - | 138 | 138 |
| **Current liabilities** | | | |
| **CREDITORS:** amounts falling due within one year | 865 | 52 | 917 |
| Total impact on equity and liabilities | 865 | 190 | 1,055 |

### 2.2 CHANGES IN ACCOUNTING STANDARDS (continued)

***IFRS 16 Leases (continued)***

The impact on the income statement for the year ended 31 December 2019 was as follows:

| | 2019 £000 |
|---|---|
| Operating lease rentals | 48 |
| Depreciation expense (Note 9) | (47) |
| Operating profit | 1 |
| Interest payable (Note 7) | (3) |
| **Profit on ordinary activities before taxation** | **(2)** |

The company used the following practical expedients available when applying IFRS 16 for the first time:

- The application of a single discount rate to a portfolio of leases with similar characteristics, for example based on term length and type of lease.
- Reliance on previous assessments of whether a contract is or contains a lease.
- Exemptions available for low-value and short-term leases.
- Reliance on previous assessments of whether leases are onerous.

### 2.3 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The Directors have concluded that there are no significant judgements or estimates that could have a material impact on the financial statements.

## 2.4 SIGNIFICANT ACCOUNTING POLICIES

### Revenue recognition

The company applies IFRS 15 Revenue from Contracts with Customers in regard to revenue recognition. The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

*Sale of goods*
Revenue from the sale of goods is recognised when the above criteria are met, usually on dispatch of the goods.

*Rendering of services*
Revenue from maintenance and service agreements is recognised over the period in which the maintenance services are rendered.

*Interest income*
Revenue is recognised as interest accrues using the effective interest method.

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.
Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

| | |
|---|---|
| Buildings | over 30 to 50 years |
| Plant and equipment | over 2 to 5 years |
| Demonstration Inventory | over 5 years |

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

### Investments

Investments are stated at cost less impairment.

**2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

**Foreign currency**

The company's financial statements are presented in sterling, which is also the company's functional currency. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the balance sheet date. All exchange differences are included in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

**Leases**

The company's lease commitments relate mainly to motor vehicles. Leases are typically negotiated on an individual basis and thus contain a wide range of terms and conditions, including options to extend or terminate. The lease liability is considered to be an indicator of the future cash outflows, there are no significant restrictions or covenants, residual value guarantees or sale and leaseback transactions. Previously, payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, the company assesses at contract inception whether a contract is, or contains, a lease. The company initially recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets is equal to the aggregate lease liabilities recognised on day 1, adjusted for any initial direct costs incurred, any lease incentives received
and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight line basis over the lease term. Right of use assets are tested for impairment at each year end.

## 2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Leases (continued)**

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted at the incremental borrowing rate.

The lease payments include fixed payments less any lease incentives received and amounts expected to be paid under residual value guarantees. In calculating the present value of the lease payments, the company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. Following recognition, the liability is reduced for the lease payments made and increased by the interest accrued. Moreover, the carrying amount of the lease liability is re-measured in the event of a modification, such as a change in the lease term or change in the lease payments. The interest cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining liability for each period.

The company applies the short-term lease exemption to those leases that have a lease term of 12 months or less from the commencement date and also applies the exemption for leases of low value assets to office equipment. Lease payments relating to these exemptions are recognised in operating expenses on a straight line basis over the lease term. These exemptions are not applied to property leases and any short term property leases are accounted for as above.

Requirements of IFRS 16 Leases

The changes to critical estimates and assumptions used by the company as a result of adopting IFRS 16, that have an effect on the reported amounts of assets and liabilities, are outlined below.

*Lease term*

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease where this is reasonably certain to be exercised, or any periods covered by an option to terminate the lease where this is reasonably certain not to be exercised.

Many of the company's leases, particular property leases, contain options for the company to extend and / or terminate the lease term. The company applies judgement in evaluating whether it is reasonably certain to exercise these options, taking account of all relevant factors that create an economic incentive for it to do so. After the lease commencement date, the company reassesses the lease term if there has been a significant event or change in circumstances that is within its control and which affects its ability to exercise (or not to exercise) the option to renew and / or to terminate (e.g. a change in business strategy).

## 2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Pension costs**

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

**Provision for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised; and
- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.)

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## 2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial asset – recognition and measurement**

Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive cash.

All financial assets are initially measured at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss or at fair value through other comprehensive income*

There are no instruments which have been classified under this category.

(b) *Financial assets at amortised cost*

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

• the asset is held within a business model whose objective is to collect the contractual cash flows; and
• the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category is the most relevant to the company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

**Impairment of financial assets**

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.

b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

For trade and other receivables, the company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

## 2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial liabilities - recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities comprise of trade creditors, amounts owed to group undertakings and bank overdrafts.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

(a) *Financial liabilities at fair value through profit or loss*

(b) *Loans and borrowings*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The company does not have any financial liabilities which are subsequently re-measured at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

***De-recognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 3. TURNOVER AND SEGMENTAL INFORMATION

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Turnover by destination** | | |
| United Kingdom | 6,935 | 7,667 |
| Europe | 16 | 14 |
| | 6,951 | 7,681 |

No revenue was derived from the exchanges of goods or services.

## 4. OPERATING PROFIT

Operating profit is stated after charging / (crediting):

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Depreciation of tangible fixed assets - owned | 2 | 9 |
| Depreciation of right of use assets | 47 | - |
| Operating lease rentals | | |
| - land and buildings | - | - |
| - plant and machinery | - | - |
| Cost of stocks recognised as an expense (included in cost of sales) | 4,749 | 5,111 |
| Write-down of stocks to net realisable value | - | - |
| Auditors' remuneration – audit services | 25 | 32 |
| Exchange differences | 52 | 81 |

## 5. STAFF COSTS

(a) Staff costs

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Staff costs during the year** | | |
| Wages and salaries | 971 | 1,126 |
| Social security costs | 108 | 144 |
| Other pension costs | 34 | 145 |
| | 1,113 | 1,415 |

## 5. STAFF COSTS (CONTINUED)

(a) Staff costs

| | 2019<br>No. | 2018<br>No. |
|---|---|---|
| **Average numbers of persons employed** | | |
| Sales and distribution | 13 | 12 |
| Administration | 1 | 1 |
| | 14 | 13 |

At the balance sheet date there were no unpaid pension contributions of (2018: £nil) in respect of the defined contribution scheme.

| (b) Directors' emoluments | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| The following disclosures are in respect of qualifying services provided by the Directors of the company | | |
| Aggregate emoluments in respect of qualifying services | - | - |
| Aggregate value of contributions paid by the company to money purchase pension schemes | - | - |
| Number of Directors accruing benefits under money purchase schemes | - | - |

The service of A Aghdaei, P Ward and H Witte to this company are of a non-executive nature and their emoluments are deemed to be wholly attributable to qualifying services to other group companies. Accordingly, these financial statements include no emoluments in respect of the Directors A Aghdaei, P Ward and H Witte (2018: £nil).

## 6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Bank interest receivable | 8 | 14 |
| | 8 | 14 |

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Interest payable - IFRS 16 adoption | (3) | - |
| | (3) | - |

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax charged to profit in the statement of comprehensive income

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Current tax | | |
| UK corporation tax at the standard rate of 19.00% | 18 | - |
| Adjustment in respect of prior years | - | - |
| Withholding tax | - | - |
| Total current tax | 18 | - |
| Deferred tax | | |
| Charge / (credit) to the profit and loss account | 2 | 3 |
| Adjustment in respect of prior periods | - | - |
| Adjustment in respect of change in tax rates | - | - |
| Total deferred tax | 2 | 3 |
| Taxation charge / (credit) for the year | 20 | 3 |

(b) Reconciliation of the total tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19.00% (2018:19%). The actual tax charge for the year differs from the standard rate of UK corporation tax for the reasons set out in the following reconciliation.

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Profit before tax** | 385 | 3,001 |
| Tax on profit /on ordinary activities at standard UK corporation tax rate of 19.00% (2018: 19%) | 73 | 570 |
| Effects of: | | |
| (Income)/expenses not (taxable)/deductible for tax purposes | 1 | (557) |
| Differences in tax rates | - | 2 |
| Chargeable gains | - | - |
| Group relief | (54) | (12) |
| **Total tax charge reported in the income statement** | 20 | 3 |

Details of recognised and unrecognised deferred tax assets are shown below.

(c) Change in Corporation Tax rates

The main rate of corporation tax in the UK is 19%, which per Finance Act 2016 was expected to reduce to 17% with effect from 1 April 2020. The budget which was held on 11 March 2020 has reversed this rate reduction and the main UK tax rate will remain at 19% from 1 April 2020.

## NOTES TO THE ACCOUNTS
**Year ended 31 December 2019**

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(d) Deferred tax

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| Deferred tax asset/(liability) as at 1 January | 12 | 15 |
| (Charge)/credit to the Income Statement | (2) | (3) |
| Adjustment in respect of prior years | - | - |
| Deferred tax asset/(liability) as at 31 December | 10 | 12 |

The deferred tax included in the company balance sheet is as follows:

| | 2019 | 2018 |
|---|---|---|
| | £000 | £000 |
| **Deferred tax liability** | | |
| | - | - |
| | - | - |
| **Deferred tax asset** | | |
| Fixed assets | 10 | 12 |
| Trade losses | - | - |
| Short term timing differences | - | - |
| | 10 | 12 |
| **Disclosed on the balance sheet** | | |
| Deferred tax asset | 10 | 12 |
| Deferred tax liability | - | - |

## NOTES TO THE ACCOUNTS
**Year ended 31 December 2019**

### 9. TANGIBLE FIXED ASSETS

| | Fixtures, fittings, plant & machinery £000 | Right of Use Assets £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2019 | 27 | - | 27 |
| Adoption of IFRS 16 on 1 January 2019 | - | 190 | 190 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 31 December 2019 | 27 | 190 | 217 |
| **Depreciation** | | | |
| At 1 January 2019 | 25 | - | 25 |
| Charge for the year | 2 | 47 | 49 |
| Disposals | - | - | - |
| At 31 December 2019 | 27 | 47 | 74 |
| **Net book value** | | | |
| At 31 December 2019 | - | 143 | 143 |
| At 1 January 2019 | 2 | - | 2 |

### 10. STOCKS

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Finished goods and goods for resale | 110 | 8 |
| | 110 | 8 |

The estimated replacement cost of stock does not differ significantly from the above.

### 11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Trade debtors | 2,100 | 2,470 |
| Amounts owed by other group undertakings | 690 | 271 |
| Other debtors | 23 | 12 |
| Prepayments and accrued income | 14 | 2 |
| | **2,827** | **2,755** |

## 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Trade creditors | 15 | 7 |
| Amounts owed to other group undertakings | 44 | 93 |
| Corporation tax liability | 15 | - |
| Other taxation and social security | 347 | 367 |
| Other creditors | 49 | 38 |
| Accruals and deferred income | 381 | 360 |
| Current lease liabilities (IFRS 16) | 49 | - |
| | **900** | **865** |

## 13. LEASE LIABILITIES

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

| | £000 |
|---|---|
| **Cost** | |
| At 31 December 2018 | - |
| Change in accounting policy | 190 |
| At 1 January 2019 | 190 |
| Additions | - |
| Interest charged | 3 |
| Lease payments | (48) |
| Disposals | - |
| Modifications | - |
| At 31 December 2019 | 145 |

| | £000 |
|---|---|
| Lease liabilities are repayable: | |
| In less than 1 year | 49 |
| In more than 1 year but less than 5 years | 96 |
| In more than 5 years | - |
| | 145 |

The discount rates for the leases disclosed above ranged from 1.4% to 2.1%. The company has several lease contracts that include termination options, usually through a break clause. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and adapt to the company's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised.

# NOTES TO THE ACCOUNTS
**Year ended 31 December 2019**

## 14. CALLED UP SHARE CAPITAL

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Called up, allotted and fully paid** | | |
| 1,050,000 ordinary shares of £1 each | - | 1,050 |
| 1,049,999 reduction in ordinary shares of £1 each | - | (1,050) |
| | - | - |

Following the capital reduction in 2018, the Company has 1 Ordinary share of £1 remaining.

## 15. PENSION ARRANGEMENTS

**Defined contribution schemes**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. There are no unpaid contributions outstanding at the year end.

## 16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Kerr UK Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Envista Holdings Corporation, a company incorporated in the USA.

The largest and smallest group in which the results of the company are consolidated is Envista Holdings Corporation, a company incorporated in the USA. The consolidated financial statements of this group are available to the public and may be obtained from 200 S Kraemer Blvd Building E, Brea, CA 92821.

## 17. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

## 18. POST BALANCE SHEET EVENTS

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has had a significant impact of the dental sector, in which the Company plays an important part.
The COVID-19 pandemic has, at the time of approving these financial statements, had an adverse impact on the Company. The ability to provide dental services has been impacted by the government restrictions on dental practices. The closure of these dental practices from March to June meant demand for products reduced significantly whilst the lockdown/social distancing/government restrictions remain however there has been some recovery as restrictions are lifted. Whilst our supply chain remains strong and we are working closely with customers it is apparent that the industry will take some time to recover to previous normal levels of activity.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact and further forward into 2021 cannot yet be known but the Directors are confident that they have put in place measures to ensure the impact is mitigated as much as possible, with protection of staff, continuity of supply chain, continued service delivery to customers and ongoing productivity is maintained