

KAVO DENTAL LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2000

Company Registration Number 969297

MACINTYRE HUDSON

Chartered Accountants & Registered Auditors

31 Castle Street

High Wycombe

Buckinghamshire

HP13 6RU



KAVO DENTAL LIMITED

OFFICERS' AND PROFESSIONAL ADVISERS

The Board of Directors

R D Whatley
R K Schmidt

Company Secretary

R K Schmidt

Registered Office

Unit 11
Corinium Industrial Estate
Raans Road
Amersham
Buckinghamshire
HP6 6JL

Auditors

MacIntyre Hudson
Chartered Accountants
& Registered Auditors
31 Castle Street
High Wycombe
Buckinghamshire
HP13 6RU

Bankers

National Westminster Bank plc
22 Market Square
Aylesbury
Buckinghamshire
HP20 1TR

KAVO DENTAL LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31ST DECEMBER 2000

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 December 2000	At 1 January 2000
R D Whatley	-	-
R K Schmidt	-	-
	<hr/>	<hr/>

No director had any interest in the shares of the company at 31 December 2000.

AUDITORS

A resolution to re-appoint MacIntyre Hudson as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
 Unit 11
 Corinium Industrial Estate
 Raans Road
 Amersham
 Buckinghamshire
 HP6 6JL

Signed by order of the directors



R K SCHMIDT
 Company Secretary

Approved by the directors on 15th February 2001

KAVO DENTAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31ST DECEMBER 2000

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on page 9, 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; 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 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. The directors 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.

KAVO DENTAL LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST DECEMBER 2000

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 3, the company's directors are responsible for the preparation of the 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.

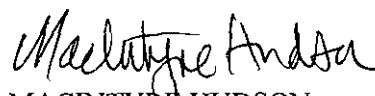
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 company's state of affairs as at 31st December 2000 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

31 Castle Street
High Wycombe
Buckinghamshire
HP13 6RU

15th February 2001


MACINTYRE HUDSON
Chartered Accountants
& Registered Auditors

KAVO DENTAL LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2000

	Note	2000 £	1999 £
TURNOVER	2	8,650,317	8,593,400
Cost of sales		5,582,037	5,694,480
GROSS PROFIT		3,068,280	2,898,920
Distribution costs		20,483	30,154
Administrative expenses		3,040,411	3,296,312
Other operating income		(24,296)	(10,188)
OPERATING PROFIT/(LOSS)	3	31,682	(417,358)
Interest receivable		5,456	1,344
Interest payable	6	(16,894)	(23,066)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		20,244	(439,080)
Tax on profit/(loss) on ordinary activities	7	(9,703)	(20,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		29,947	(419,080)

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

KAVO DENTAL LIMITED**BALANCE SHEET****31ST DECEMBER 2000**

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	600,312	1,239,330
CURRENT ASSETS			
Stocks		2,745,488	2,745,418
Debtors	9	2,085,813	1,623,438
Cash at bank and in hand		639,170	79,947
		<u>5,470,471</u>	<u>4,448,803</u>
CREDITORS: Amounts falling due within one year	10	<u>(1,953,306)</u>	<u>(1,600,603)</u>
NET CURRENT ASSETS		<u>3,517,165</u>	<u>2,848,200</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,117,477</u>	<u>4,087,530</u>
CAPITAL AND RESERVES			
Called-up equity share capital	15	1,050,000	1,050,000
Profit and loss account	16	3,067,477	3,037,530
SHAREHOLDERS' FUNDS	17	<u>4,117,477</u>	<u>4,087,530</u>

These financial statements were approved by the directors on the 15th February 2001 and are signed on their behalf by:


 R D WHATLEY

KAVO DENTAL LIMITED**CASH FLOW STATEMENT****YEAR ENDED 31ST DECEMBER 2000**

	2000	1999
	£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	334,125	(456,428)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	5,456	1,344
Interest paid	(16,894)	(23,066)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(11,438)	(21,722)
TAXATION	29,703	(28,925)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(20,582)	(25,980)
Receipts from sale of fixed assets	615,000	-
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE	594,418	(25,980)
INCREASE/(DECREASE) IN CASH	<u>946,808</u>	<u>(533,055)</u>

**RECONCILIATION OF OPERATING PROFIT/(LOSS) TO
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2000	1999
	£	£
Operating profit/(loss)	31,682	(417,358)
Depreciation	62,614	71,884
Profit on disposal of fixed assets	(18,014)	-
(Increase)/Decrease in stocks	(70)	649,289
(Increase)/Decrease in debtors	(482,375)	294,066
Increase/(Decrease) in creditors	740,288	(1,054,309)
Net cash inflow/(outflow) from operating activities	<u>334,125</u>	<u>(456,428)</u>

KAVO DENTAL LIMITED**CASH FLOW STATEMENT** *(continued)***YEAR ENDED 31ST DECEMBER 2000****RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2000 £	1999 £
Increase/(Decrease) in cash in the period	946,808	(533,055)
Net debt at 1st January 2000	(307,638)	225,417
Net funds at 31st December 2000	<u>639,170</u>	<u>(307,638)</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2000 £	Cash flows £	At 31 Dec 2000 £
Net cash:			
Cash in hand and at bank	79,947	559,223	639,170
Overdrafts	(387,585)	387,585	-
Net funds	<u>(307,638)</u>	<u>946,808</u>	<u>639,170</u>

KAVO DENTAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 2000****1. ACCOUNTING POLICIES****Basis of accounting**

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	- 2%
Fixtures and fittings	- 25%

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Pension costs

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

KAVO DENTAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2000

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2000 £	1999 £
United Kingdom	7,845,797	7,923,246
European Sales	641,868	606,216
Rest of World Sales	162,652	63,938
	<u>8,650,317</u>	<u>8,593,400</u>

3. OPERATING PROFIT/LOSS

Operating profit/loss is stated after charging/(crediting):

	2000 £	1999 £
Depreciation	62,614	71,884
Profit on disposal of fixed assets	(18,014)	-
Auditors' remuneration		
- as auditors	14,000	12,000
Operating lease costs:		
Plant and equipment	<u>219,875</u>	<u>234,034</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2000 No.	1999 No.
Number of selling and distribution staff	58	66
Number of administrative staff	8	9
	<u>66</u>	<u>75</u>

The aggregate payroll costs of the above were:

	2000 £	1999 £
Wages and salaries	1,642,596	1,786,395
Social security costs	141,087	149,468
Other pension costs	150,951	148,078
	<u>1,934,634</u>	<u>2,083,941</u>

KAVO DENTAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2000

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2000 £	1999 £
Emoluments receivable	174,411	285,732

The number of directors accruing benefits under company pension schemes was as follows:

	2000 No.	1999 No.
Defined benefit schemes	2	2

6. INTEREST PAYABLE

	2000 £	1999 £
Interest payable on bank borrowing	16,894	23,066

7. TAX ON PROFIT/LOSS ON ORDINARY ACTIVITIES

	2000 £	1999 £
In respect of the year:		
Corporation tax	-	-
Adjustment in respect of previous years:		
Corporation tax	(9,703)	(20,000)
	<u>(9,703)</u>	<u>(20,000)</u>

KAVO DENTAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2000

8. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Total £
COST			
At 1st January 2000	1,535,763	699,512	2,235,275
Additions	3,210	17,372	20,582
Disposals	(788,831)	(2,411)	(791,242)
At 31st December 2000	<u>750,142</u>	<u>714,473</u>	<u>1,464,615</u>
DEPRECIATION			
At 1st January 2000	349,297	646,648	995,945
Charge for the year	34,721	27,893	62,614
On disposals	(192,809)	(1,447)	(194,256)
At 31st December 2000	<u>191,209</u>	<u>673,094</u>	<u>864,303</u>
NET BOOK VALUE			
At 31st December 2000	<u>558,933</u>	<u>41,379</u>	<u>600,312</u>
At 31st December 1999	<u>1,186,466</u>	<u>52,864</u>	<u>1,239,330</u>

9. DEBTORS

	2000 £	1999 £
Trade debtors	1,926,421	1,454,972
Amounts owed by group undertakings	68,739	47,995
Corporation Tax repayable	-	20,000
Other debtors	-	3,834
Prepayments and accrued income	90,653	96,637
	<u>2,085,813</u>	<u>1,623,438</u>

KAVO DENTAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 2000****10. CREDITORS: Amounts falling due within one year**

	2000	1999
	£	£
Bank loans and overdrafts	-	387,585
Trade creditors	304,439	73,023
Amounts owed to group undertakings	1,118,528	621,966
Other creditors including taxation and social security:		
PAYE and social security	41,363	41,245
VAT	215,802	186,045
	<u>257,165</u>	<u>227,290</u>
Accruals and deferred income	273,174	290,739
	<u>1,953,306</u>	<u>1,600,603</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2000	1999
	£	£
Bank loans and overdrafts	-	387,585

The bank facility of the company has been secured by means of a charge against the freehold and leasehold properties and by means of a fixed and floating charge over all other assets of the company.

KAVO DENTAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 2000****11. PENSIONS**

The scheme is a funded, defined benefit scheme where benefits are based on final pensionable pay. The assets of the scheme are invested in insurance policies with The Equitable Life Assurance Society and are held separately from those of the company.

The total pension cost for the company was £150,951 (1999: £148,078). The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the scheme was carried out at 1 April 1997. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment return would be 8% per annum, dividend increases would be 4% per annum and that salary increases would average 7% per annum.

At the date of the last actuarial valuation, the actuarial value of the assets was £1,294,500 which represented 90% of the benefits which had accrued to members at that date, allowing for future salary increases. If the difference between the assets and the past service benefits is spread over the average remaining service life, which is 9 years from 1 April 1998, the calculated rate is 15.8% of total pensionable pay and 14.3% thereafter.

On 11th December 2000 the trustees of the pension scheme passed a resolution to freeze the existing defined benefit pension scheme as at the 31st March 2001. No further benefits will accrue under the scheme, but the benefits which members have accrued under the scheme up to 31st March 2001 will be available to them at retirement or on leaving service.

The actuarial valuation due in April 2000 has not been completed and therefore the current scheme surplus or deficit has not yet been determined.

12. COMMITMENTS UNDER OPERATING LEASES

At 31st December 2000 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land and buildings	
	2000	1999
	£	£
Operating leases which expire:		
Within 1 year	18,800	54,213
Within 2 to 5 years	154,237	176,450
	<u>173,037</u>	<u>230,663</u>

13. CONTINGENCIES

At 31st December 2000 the company was committed to buying foreign currency with the equivalent sterling value of £2,197,356 (1999: £669,089).

KAVO DENTAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2000

14. RELATED PARTY TRANSACTIONS

Transactions during the year

During the year KaVo Dental Limited made aggregate purchases from group companies amounting to £4,073,042 (1999: £3,969,304) of which £4,070,433 (1999: £3,964,505) were purchased from KaVo GmbH, a fellow subsidiary incorporated in Germany.

Total sales to fellow subsidiaries amounted to £318,431 (1999: £224,969). Of this, sales amounting to £26,464 (1999: £10,841) were made to KaVo GmbH.

Balances at the year end

At the year end there was one material inter-company balance with KaVo GmbH. The amount payable to KaVo GmbH was £1,118,728 (1999: £593,541).

15. SHARE CAPITAL

Authorised share capital:

	2000 £	1999 £
1,050,000 Ordinary shares of £1 each	<u>1,050,000</u>	<u>1,050,000</u>

Allotted, called up and fully paid:

	2000 £	1999 £
Ordinary share capital	<u>1,050,000</u>	<u>1,050,000</u>

16. PROFIT AND LOSS ACCOUNT

	2000 £	1999 £
Balance brought forward	3,037,530	3,456,610
Retained profit/(loss) for the financial year	29,947	(419,080)
Balance carried forward	<u>3,067,477</u>	<u>3,037,530</u>

KAVO DENTAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 2000****17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2000 £	1999 £
Profit/(Loss) for the financial year	29,947	(419,080)
Opening shareholders' equity funds	4,087,530	4,506,610
Closing shareholders' equity funds	<u>4,117,477</u>	<u>4,087,530</u>

18. ULTIMATE PARENT COMPANY

The parent company of KaVo Dental Limited is The Anglodent Company incorporated in the U.K. The ultimate parent company of KaVo Dental Limited is Kaltenbach & Voigt GmbH & Co which is incorporated in Germany.