Company Registration No. 00969297

Commercial in confidence

KAVO DENTAL LIMITED

Report and Financial Statements

31 December 2020

KAVO DENTAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2020

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KAVO DENTAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2020

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Aghdaei (resigned 1 November 2020)
P Ward
H Witte (resigned 1 November 2020)

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

Grant Thornton UK LLP
1020 Eskdale Road
Winnersh
Wokingham
Berkshire
RG41 5TS
United Kingdom

KAVO DENTAL LIMITED

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 £5,242,000 which is a 25% decrease over 2019 sales of £6,951,000.

Profits before tax for the year were higher than 2019 profits of £365,000.

The Company did not distribute any dividends during 2020.

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

	2020	2019	Change
	£000	£000	%
Turnover	5,242	6,951	(25%)
Gross profit	2,289	2,202	4%
Profit before tax	436	385	13%
Average number of employees	14	14	0%

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.

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

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.

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.

KAVO DENTAL LIMITED

STRATEGIC REPORT

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

Philip Ward Philip Ward

Director

Date: 6/7/2021

KAVO DENTAL LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The profit for the year after taxation is £362,000 (2019: £365,000).

DIRECTORS

The directors who served during the year were as follows:

A. Aghdaei (resigned 1 November 2020)
H. Witte (resigned 1 November 2020)
P. Ward

GOING CONCERN

The Company is subject to risks and uncertainties as a result of the novel coronavirus ("COVID-19") pandemic. The extent of the impact of the COVID-19 pandemic on the Company's business is highly uncertain and difficult to predict because of the dynamic and evolving nature of the crisis. In response to COVID-19 many dental associations recommended that dental practices delay elective procedures and only perform emergency procedures. As a result, there were widespread temporary closures of dental practices around the world due to the pandemic, except to perform emergency procedures, thereby preventing the Company's end customers from conducting most or all business activities and significantly adversely impacting the Company's sales. During the quarter ended July 3, 2020, dental practices in the markets in which the Company operates started to reopen and as of October 2, 2020, the majority of dental practices were open. Despite the increased prevalence of COVID-19 and related U.S. and foreign government actions to mitigate the spread of COVID-19 during the quarter ended December 31, 2020, the majority of dental practices continued to remain open, however, patient volumes continued to be below pre-COVID-19 levels. A worsening of the pandemic or impacts of new variants of the virus may lead to further temporary closures of dental practices in the future. Furthermore, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it is possible that it could cause a material local and/or global economic slowdown or global recession. Such economic disruption could have a material adverse effect on the Company as the Company's customers curtail and reduce capital and overall spending. Policymakers around the globe have responded with fiscal policy actions to support the healthcare industry and economy as a whole. The magnitude and overall effectiveness of these actions remains uncertain.

The severity of the impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, the scope and duration of the pandemic, the extent and severity of the impact on the Company's customers, the measures that have been and may be taken to contain the virus (including its various mutations) and mitigate its impact, global government actions to respond to the reduction in global economic activity, the ability of the Company to continue to manufacture and source its products, the impact of the pandemic and associated economic downturn on the Company's ability to access capital if and when needed and how quickly and to what extent normal economic and operating conditions can resume, all of which are uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse impacts on the Company's financial condition and results of operations.

KAVO DENTAL LIMITED

DIRECTORS' REPORT

The Company's future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, and the impact of any initiatives or programs that the Company may undertake to address financial and operational challenges faced by its customers. As of the date of issuance of these Financial Statements, there is not expected to be a significant ongoing impact of the Covid-19 pandemic on the company, following reasonable trading in the first 6 months of 2021.

The company is part of the Envista group cash pool arrangement. As part of the group cash pool arrangement, each company has entered into unlimited cross guarantees in respect of bank borrowings with fellow participating companies. Each company is also subject to an indemnity offered by Envista Corporation for all participating companies (for the period during which they remain wholly owned subsidiaries of Envista 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 Corporation in the event of default.

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.

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 Grant Thornton LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Philip Ward

Philip Ward

Director

Date: 6/7/2021

STATEMENT OF DIRECTORS RESPONSIBILITIES

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 (the 'company') for the year ended 31 December 2020, which comprise Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, 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 Financial Reporting Standard (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 state of the company's affairs as at 31 December 2020 and of its loss 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. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.
In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[1] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this 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 the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 the directors' report.

Matters on which we are required to report by exception

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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors, and legal and regulatory correspondence. The key laws and regulations we considered in this context included the UK Companies Act and FRS 101.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for

manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries with a focus on manual journals and journals indicating large or unusual transactions; and
- potential management bias in determining accounting estimates, especially in relation to the calculation of impairment of trade and intercompany receivables.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those posted directly to cash, debtors and creditors control accounts;
  - challenging assumptions and judgements made by management in its significant accounting estimates; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

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.

Grant Thornton UK LLP

Amanda James BFP ACA FCCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
Date: 6/7/2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 £000	2019 £000
TURNOVER	3	5,242	6,951
Cost of sales		(2,953)	(4,749)
GROSS PROFIT		2,289	2,202
Distribution costs		-	(8)
Administrative expenses		(1,945)	(1,815)
OPERATING PROFIT	4	344	379
Other income		94	-
Interest receivable and similar income	6	1	8
Interest payable and similar charges	7	(3)	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		436	385
Tax charge on profit on ordinary activities	8	(74)	(20)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, AND TOTAL COMPREHENSIVE INCOME		362	365

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 2020

		2020 £000	2019 £000
FIXED ASSETS			
Tangible assets		-	-
Right of Use assets (IFRS 16)		95	143
	9	**95**	**143**
CURRENT ASSETS			
Stock	10	164	110
Debtors - due within one year	11	2,607	2,827
Deferred tax	8	9	10
Cash at bank and in hand		1,612	506
		4,392	**3,453**
CREDITORS: amounts falling due within one year	12	(1,457)	(900)
NET CURRENT ASSETS		2,935	2,553
TOTAL ASSETS LESS CURRENT LIABILITIES		3,030	2,696
Lease liabilities: falling due in greater than one year	13	(48)	(96)
Other long term liabilities		(20)	-
NET ASSETS		**2,962**	**2,600**
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Profit and loss account		2,962	2,600
TOTAL SHAREHOLDERS' FUNDS		**2,962**	**2,600**

These financial statements were approved on the date below.

Signed by the Sole Director

Philip Ward

Philip Ward

Director

Date: 6/7/2021

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 2020

	Called-up share capital £000	Profit and loss account £000	Total Shareholders funds £000
At 1 January 2019	-	2,235	2,235
Profit and total comprehensive income for the year	-	365	365
31 December 2019	-	2,600	2,600
Profit and total comprehensive income for the year	-	362	362
At 31 December 2020	-	2,962	2,962

The accompanying notes are an integral part of this statement of changes in equity.

KAVO DENTAL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2020

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 6 July 2021 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 2020.

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

KAVO DENTAL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2020

2.2. CHANGES IN ACCOUNTING STANDARDS

There have been no changes in accounting standards applicable to the company for this accounting period.

2.3 GOING CONCERN

The financial statements have been prepared on a going concern basis. The company has considerable financial resources together with a large number of customers and suppliers across different geographic areas and industries. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 5. The directors have used a degree of judgement and their best estimates for key assumptions in preparing forecasts for the going concern assessment and are monitoring the current macroeconomic environment with the impact of COVID-19. The directors believe that the Company is well placed to manage its business risks successfully and have a reasonable expectation that for a period of 12 months from the date of approving these financial statements, the Company has adequate resources to continue in operational existence. These resources include the group cash pool arrangement which can be drawn down should it be required. Thus the company continues to adopt the going concern basis in preparing the annual financial statements.

2.4 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's revenue recognition policy is in accordance with the requirements of IFRS 15: Revenue from Contracts with Customers. 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 control of those goods have passed to the buyer, 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.

KAVO DENTAL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2020

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on a straight-line basis over its expected useful life as follows:

Plant and equipment	over 2 to 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.

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.

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Other income

Other income recorded in the Income Statement relates to government grants received during the year, as accounted for under IAS 20. The grant income received is recognised in the Income Statement on the same basis as the wages and salaries expenses which the grant is intended to compensate.

Leases

The company's lease commitments relate mainly to properties and 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.

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.

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The company also has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key estimates, assumptions and judgements are set out below:

IFRS 16

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).

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.

KAVO DENTAL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2020

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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.

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 financial assets at amortised cost. 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.

KAVO DENTAL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2020

2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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 lease liabilities.

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) *Financial liabilities at amortised cost*

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

	2020 £000	2018 £000
Turnover by destination		
United Kingdom	5,209	6,935
Europe	33	16
	5,242	6,951

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

4. OPERATING PROFIT

Operating profit is stated after charging:

	2020 £000	2019 £000
Depreciation of tangible fixed assets - owned	-	2
Depreciation of Right of Use assets	48	47
Cost of stocks recognised as an expense	2,953	4,749
Auditors' remuneration – audit services	26	25
Exchange differences	74	52

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NOTES TO THE ACCOUNTS
Year ended 31 December 2020

5. STAFF COSTS

(a) Staff costs

	2020 £000	2019 £000
Staff costs during the year		
Wages and salaries	805	971
Social security costs	131	108
Other pension costs	28	34
	963	1,113

	2020 No.	2019 No.
Average numbers of persons employed		
Sales and distribution	13	13
Administration	1	1
	14	14

At the balance sheet date there were no unpaid pension contributions of (2019: £nil) in respect of the defined contribution scheme.

(b) Directors' emoluments	2020 £000	2019 £000
The following disclosures are in respect of qualifying services provided by the directors of the company		
Aggregate emoluments in respect of qualifying services	117	-
Aggregate value of contributions paid by the company to money purchase pension schemes	5	-
Number of directors accruing benefits under money purchase schemes	1	-

The services of A Aghdaei (resigned on 1 November 2020) are deemed to be wholly attributable to qualifying services to other group companies. Accordingly, these financial statements include no emoluments in respect of the director A Aghdaei (2019: £nil).

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NOTES TO THE ACCOUNTS
Year ended 31 December 2020

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
Bank interest receivable	1	8
	1	8

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £000	2019 £000
Interest payable on lease liabilities under IFRS 16	(3)	(3)
	(3)	(3)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2020 £000	2019 £000
Current tax		
UK corporation tax at the standard rate of 19.00%	73	18
Adjustment in respect of prior years	-	-
Withholding tax	-	-
Total current tax	73	18
Deferred tax		
Charge to the profit and loss account	1	2
Adjustment in respect of prior periods	-	-
Adjustment in respect of change in tax rates	-	-
Total deferred tax	1	2
Taxation charge for the year	74	20

KAVO DENTAL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2020

(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% (2019:19%). 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.

	2020 £000	2019 £000
Profit before tax	436	382
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2019: 19%)	83	73
Effects of:		
Expenses not deductible for tax purposes	2	1
Differences in tax rates	(1)	-
Chargeable gains	-	-
Group relief	(10)	(54)
Total tax charge reported in the income statement	74	20

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%. There is a deferred tax rate change impact in these statutory accounts, reflecting the reversal in Finance Act 2020 of the planned rate reduction from 19% to 17%. Finance Bill 2021, published on 11 March 2021, includes an increase to the main rate of corporation tax to 25% from 1 April 2023. Deferred tax is reflected at the current rate of 19% in these accounts since this change was n substantively enacted by the balance sheet date.

(d) Deferred tax

	2020 £000	2019 £000
Deferred tax asset as at 1 January	10	12
Charge to the Income Statement	(1)	(2)
Adjustment in respect of prior years	-	-
Deferred tax asset as at 31 December	9	10

KAVO DENTAL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2020

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

	2020 £000	2019 £000
Deferred tax asset		
Fixed assets	9	10
Trade losses	-	-
Short term timing differences	-	-
	9	10
Disclosed on the balance sheet		
Deferred tax asset	9	10
Deferred tax liability	-	-

9. TANGIBLE FIXED ASSETS

	Plant & Equipment £000	Right of Use Assets £000	Total £000
Cost			
At 1 January 2020	27	190	217
Additions	-		-
Disposals	-	-	-
At 31 December 2020	27	190	217
Depreciation			
At 1 January 2020	27	47	74
Charge for the year	-	48	49
Disposals	-	-	-
At 31 December 2020	27	95	122
At 31 December 2020	-	95	95
At 1 January 2020	-	143	143

10. STOCKS

	2020 £000	2019 £000
Finished goods and goods for resale	164	110
	164	110

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

KAVO DENTAL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2020

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £000	2019 £000
Trade debtors	1,811	2,100
Amounts owed by other group undertakings	784	690
Other debtors – deferred tax asset	-	23
Prepayments and accrued income	12	14
	2,607	**2,827**

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £000	2019 £000
Trade creditors	127	15
Amounts owed to other group undertakings	140	44
Corporation tax liability	66	15
Other taxation and social security	656	347
Other creditors	76	49
Accruals and deferred income	344	381
Current lease liabilities (IFRS 16)	48	49
	1,457	**900**

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 1 January 2020	144
Arising on acquisition	-
Additions	-
Interest charged	3
Lease payments	(51)
Disposals	-
Modifications	-
At 31 December 2020	96

KAVO DENTAL LIMITED

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Year ended 31 December 2020

The present value of lease liabilities by repayment date is as follows.

	£000
Lease liabilities are repayable:	
In less than 1 year	48
In more than 1 year but less than 5 years	48
In more than 5 years	-
	96

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.

14. CALLED UP SHARE CAPITAL

	2020 £000	2019 £000
Called up, allotted and fully paid		
1 ordinary shares of £1 each (2019: £1)	-	-
	-	-

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.