

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010
FOR
SIRONA DENTAL SYSTEMS LIMITED**

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FOR THE YEAR ENDED 30 SEPTEMBER 2010**

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SIRONA DENTAL SYSTEMS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2010

DIRECTORS	S Blank T Patuzzo
SECRETARY	Jordans Company Secretaries Limited
REGISTERED OFFICE	7 Devonhurst Place Heathfield Terrace Chiswick London W4 4JD
REGISTERED NUMBER	04893127 (England and Wales)
AUDITORS	Wilkins Kennedy Registered Auditors Bridge House London Bridge London SE1 9QR
BANKERS	Barclays Bank Plc Marble Arch Corporate Banking Group PO Box 32016 London NW1 2ZH

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

The directors present their report with the financial statements of the company for the year ended 30 September 2010

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the marketing and distribution of high-tech equipment for dental medicine

REVIEW OF BUSINESS

As described above the company's turnover derives from the sale of high-tech equipment to the dental industry, together with associated services. The directors have set the company's pricing policy to be comparable with the conditions in that market. The company is still in its development stage and anticipated losses are funded by the parent company. The directors and the directors of the parent company monitor the company's performance to ensure business risk is controlled.

The company uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial and the most significant of these are the key performance indicators (KPI's).

The key financial performance indicators are turnover, gross profit, staff employment costs and operating result. These KPI's indicate the volume of work the company has undertaken as well as the efficiency and profitability, with which this work has been delivered.

The key non-financial performance indicator is the number of staff employed by the company.

The key performance indicators for the year ended 30 September 2010, with comparatives for 2009 and 2008 are set out below.

	2010	2009	2008
Turnover (£'000)	3,177	2,206	2,217
Turnover	43.97%	(0.50)%	5.74%
Gross profit (£'000)	593	374	574
Gross profit percentage	18.65%	16.97%	25.86%
Staff costs to turnover	14.03%	19.46%	12.40%
Operating result (£'000)	18	(394)	78
Operating result change	104.68%	(605.13)%	220.86
Average number of employees	8	8	7

DIVIDENDS

No dividends will be distributed for the year ended 30 September 2010.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2009 to the date of this report.

S Blank
T Patuzzo

Details of the director's shareholding in the ultimate parent company, as disclosed in note 14 to the accounts, are shown in the publicly available accounts of that company.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

FINANCIAL INSTRUMENTS

The company's financial instruments at the balance sheet date comprised cash and liquid resources. The main purpose of these financial instruments is to provide working capital for the company's operations. The company has various other financial instruments such as intercompany balances, prepayments and accruals that arise directly from its operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are interest rate, liquidity risk and foreign currency risk.

Interest rate risk

The company has received loan advances from its parent company on which interest is charged. The director reviews the interest rate charged on a regular basis and considers the risk to the company to be reasonable.

Liquidity risk

The company had net cash balances as at the balance sheet date.

Foreign currency risk

The company has certain debtors and creditors which are denominated in Euro. Gains and losses arising from the retranslation of these assets and liabilities are recognised in the profit and loss account.

Financial assets

The company has no financial assets other than short-term debtors and cash at bank.

GOING CONCERN

The ultimate parent undertaking, Sirona Holding GmbH, a company registered in Germany, has undertaken to provide adequate financial assistance as to enable the company to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these accounts. Accordingly the directors consider that the going concern basis is an appropriate basis for the preparation of these accounts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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). 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

AUDITORS

The auditors, Wilkins Kennedy, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'T. Patuzzo', with a long horizontal flourish extending to the right.

T Patuzzo - Director

Date 19 January 2011

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
SIRONA DENTAL SYSTEMS LIMITED**

We have audited the financial statements of Sirona Dental Systems Limited for the year ended 30 September 2010 on pages six to fourteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 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.

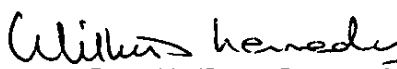
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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


Robert Reynolds (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy
Registered Auditors
Bridge House
London Bridge
London
SE1 9QR

Date 31 January 2011

SIRONA DENTAL SYSTEMS LIMITED (REGISTERED NUMBER 04893127)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

	Notes	2010 £	2009 £
TURNOVER		3,176,757	2,206,485
Cost of sales		<u>2,584,231</u>	<u>1,832,054</u>
GROSS PROFIT		592,526	374,431
Administrative expenses		<u>785,728</u>	<u>1,002,397</u>
		(193,202)	(627,966)
Other operating income		<u>211,259</u>	<u>234,392</u>
OPERATING PROFIT/ (LOSS)	3	18,057	(393,574)
Interest payable and similar charges	4	<u>49,661</u>	<u>49,887</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(31,604)	(443,461)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(31,604)</u>	<u>(443,461)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous year

The notes form part of these financial statements

SIRONA DENTAL SYSTEMS LIMITED (REGISTERED NUMBER. 04893127)

**BALANCE SHEET
30 SEPTEMBER 2010**

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	6	9,476	10,892
CURRENT ASSETS			
Stocks	7	335,041	584,416
Debtors	8	667,785	242,813
Cash at bank and in hand		<u>244,359</u>	<u>216,108</u>
		1,247,185	1,043,337
CREDITORS			
Amounts falling due within one year	9	<u>2,086,020</u>	<u>1,851,984</u>
NET CURRENT LIABILITIES		<u>(838,835)</u>	<u>(808,647)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(829,359)</u>	<u>(797,755)</u>
CAPITAL AND RESERVES			
Called up share capital	11	20,000	20,000
Profit and loss account	12	<u>(849,359)</u>	<u>(817,755)</u>
SHAREHOLDERS' FUNDS	16	<u>(829,359)</u>	<u>(797,755)</u>

The financial statements were approved by the Board of Directors on 19 January 2011 and were signed on its behalf by



T Patuzzo - Director

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

	Notes	2010 £	2009 £
Net cash inflow/ (outflow) from operating activities	1	76,170	(39,605)
Returns on investments and servicing of finance	2	(49,661)	(49,887)
Capital expenditure	2	<u>(2,555)</u>	<u>(1,255)</u>
		23,954	(90,747)
Financing	2	<u>4,297</u>	<u>144,214</u>
Increase in cash in the period		<u>28,251</u>	<u>53,467</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>28,251</u>	<u>53,467</u>
Change in net funds resulting from cash flows		<u>28,251</u>	<u>53,467</u>
Movement in net funds in the period		28,251	53,467
Net funds at 1 October		<u>216,108</u>	<u>162,641</u>
Net funds at 30 September		<u>244,359</u>	<u>216,108</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

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

	2010 £	2009 £
Operating profit/ (loss)	18,057	(393,574)
Depreciation charges	3,971	6,290
Decrease/ (Increase) in stocks	249,375	(138,741)
(Increase)/Decrease in debtors	(424,972)	165,427
Increase in creditors	<u>229,739</u>	<u>320,993</u>
Net cash inflow/(outflow) from operating activities	<u>76,170</u>	<u>(39,605)</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest paid	<u>(49,661)</u>	<u>(49,887)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(49,661)</u>	<u>(49,887)</u>
 Capital expenditure		
Purchase of tangible fixed assets	<u>(2,555)</u>	<u>(1,255)</u>
Net cash outflow for capital expenditure	<u>(2,555)</u>	<u>(1,255)</u>
 Financing		
Loan movement in year	<u>4,297</u>	<u>144,214</u>
Net cash inflow from financing	<u>4,297</u>	<u>144,214</u>

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1/10/09 £	Cash flow £	At 30/9/10 £
Net cash			
Cash at bank and in hand	<u>216,108</u>	<u>28,251</u>	<u>244,359</u>
	<u>216,108</u>	<u>28,251</u>	<u>244,359</u>
 Total	<u>216,108</u>	<u>28,251</u>	<u>244,359</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The company has reported a loss for the year ended 30 September 2010 and has reported net liabilities of £829,359 at that date. At the balance sheet date an amount of £791,751 was outstanding and payable to the company's immediate parent undertaking, Sirona Dental Systems GmbH ("SDS"), a company registered in Germany. SDS has undertaken to provide adequate financial assistance as to enable the company to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these accounts. Accordingly the directors consider that the going concern basis is an appropriate basis for the preparation of these accounts.

Accounting convention

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

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Improvements to property	- Over the lease term
Office Equipment	- 33% on cost

Stocks

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be appropriate taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2010**2 STAFF COSTS**

	2010	2009
	£	£
Wages and salaries	375,500	379,548
Social security costs	41,438	39,864
Other pension costs	10,919	10,039
	<u>427,857</u>	<u>429,451</u>

The average monthly number of employees during the year was as follows

	2010	2009
Administration	2	2
Sales	6	6
	<u>8</u>	<u>8</u>

3 OPERATING PROFIT/ (LOSS)

The operating profit (2009 - operating loss) is stated after charging

	2010	2009
	£	£
Other operating leases	43,196	40,001
Depreciation - owned assets	3,971	6,290
Auditors' remuneration	6,750	6,500
Auditors' remuneration – non-audit services	76,268	59,765
Foreign exchange gain/ (loss)	<u>49,587</u>	<u>(117,588)</u>
Directors' remuneration	<u>92,500</u>	<u>97,414</u>

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>1</u>	<u>1</u>
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4 INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£	£
Loan interest payable	<u>49,661</u>	<u>49,887</u>

5 TAXATION**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 30 September 2010 nor for the year ended 30 September 2009

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2010

5 TAXATION - continued**Factors affecting the tax charge**

The tax adjusted losses arising are lower than the standard rate of corporation tax in the UK. The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before tax	<u>(31,604)</u>	<u>(443,461)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	(8,849)	(124,169)
Effects of Depreciation in excess of capital allowances	504	1,032
Expenses not deductible for taxation	4,234	4,299
Transferred to/(from) tax losses	<u>4,111</u>	<u>118,838</u>
Current tax charge	<u>-</u>	<u>-</u>

6 TANGIBLE FIXED ASSETS

	Improvements to property £	Office Equipment £	Totals £
COST			
At 1 October 2009	12,725	26,233	38,958
Additions	<u>2,120</u>	<u>435</u>	<u>2,555</u>
At 30 September 2010	<u>14,845</u>	<u>26,668</u>	<u>41,513</u>
DEPRECIATION			
At 1 October 2009	4,515	23,551	28,066
Charge for year	<u>2,066</u>	<u>1,905</u>	<u>3,971</u>
At 30 September 2010	<u>6,581</u>	<u>25,456</u>	<u>32,037</u>
NET BOOK VALUE			
At 30 September 2010	<u>8,264</u>	<u>1,212</u>	<u>9,476</u>
At 30 September 2009	<u>8,210</u>	<u>2,682</u>	<u>10,892</u>

7 STOCKS

	2010 £	2009 £
Finished goods	<u>335,041</u>	<u>584,416</u>

8 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade debtors	633,275	137,820
Other debtors	7,035	7,035
Prepayments and accrued income	<u>27,475</u>	<u>97,958</u>
	<u>667,785</u>	<u>242,813</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2010

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Trade creditors	1,083,940	957,259
Amounts owed to group undertakings	791,751	787,454
Social security and other taxes	152,870	64,199
Other creditors	-	3,635
Accruals and deferred income	<u>57,459</u>	<u>39,437</u>
	<u>2,086,020</u>	<u>1,851,984</u>

10 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings	
	2010	2009
	£	£
Expiring		
Between one and five years	<u>-</u>	<u>23,952</u>

11 CALLED UP SHARE CAPITAL

Number	Class	Nominal value	2010	2009
			£	£
100	Ordinary	£200	<u>20,000</u>	<u>20,000</u>

12 RESERVES

	Profit and loss account
	£
At 1 October 2009	<u>(817,755)</u>
Deficit for the year	<u>(31,604)</u>
At 30 September 2010	<u>(849,359)</u>

13 PENSION COMMITMENTS

The company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme for the year amounted to £10,919 (2009 £10,039). There were no outstanding contributions payable by the company to the fund as at 30 September 2010 (2009 £Nil).

14 IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate parent undertaking is Sirona Dental Systems GmbH, a company registered in Germany. The ultimate parent undertaking is Sirona Dental Systems Inc., a company registered in the United States of America. Copies of the consolidated Sirona Dental Systems Inc. annual report are available on written request from the Investor Relations Department, Sirona Dental Systems Inc. 3030 47th Avenue, Suite 500, Long Island City, NY 11101, United States of America. Consolidated accounts are prepared and filed only at the ultimate parent undertaking level of the Sirona Group.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2010

15 RELATED PARTY DISCLOSURES

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other group undertakings within the Sirona group have not been disclosed in these financial statements

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Loss for the financial year	<u>(31,604)</u>	<u>(443,461)</u>
Net reduction of shareholders' funds	(31,604)	(443,461)
Opening shareholders' funds	<u>(797,755)</u>	<u>(354,294)</u>
Closing shareholders' funds	<u>(829,359)</u>	<u>(797,755)</u>

17 DEFERRED TAX

As at 30 September 2010 a net deferred tax asset of £206,271 calculated at 28% and relating to tax adjusted losses and timing differences, has not been recognised (2009 £202,234 and calculated at 28%) There is currently insufficient evidence that suitable income will be generated, and therefore the deferred tax asset has not been recognised

18 CAPITAL COMMITMENTS

At the balance sheet date the company had capital commitments in respect of leasehold improvements totalling £Nil (2009 £2,827)