Registered no: 3095521

Heraeus Kulzer Limited

Annual report

for the year ended 31 December 2002



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for the year ended 31 December 2002

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Directors and advisers

Directors

T Gilles
H Pape
P Higginbotham

Secretary and registered office

H Pape
Heraeus House
Albert Road
Newbury
Berkshire
RG14 1DL

Registered Auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

Solicitors

Charles Lucas & Marshall
Radnor House
28 Bartholomew Street
Newbury
Berkshire
RG14 5EU

Bankers

Barclays Bank plc
P O Box 5515
Newbury
Berkshire
RG14 5YF

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activities

The company's principal activity is that of selling and marketing dental products for its immediate holding company.

Review of business and future developments

The profit and loss account for the year is set out on page 5. The directors are of the opinion that the company's state of affairs and outlook are satisfactory.

The company is dependent on continued financial support from its parent, Heraeus Kulzer International GmbH, to be able to continue in operation. The directors of Heraeus Kulzer Limited have received confirmation from it's parent company that it intends to provide such financial support to the company as is necessary, for the foreseeable future and for at least the next 12 months to enable it to continue in operation and to meet its liabilities as they fall due.

Dividends

The directors have not paid an interim dividend, (2001: nil). They also do not recommend the payment of a final dividend (2001: nil). As explained in the directors report for the year to 31 December 2000 the company did not have sufficient distributable reserves in order to pay such an interim dividend for that year. This distribution was refunded, in full, to the company by Heraeus Kulzer International GmbH during the year ended 31 December 2002.

Directors and their interests

The directors of the company at 31 December 2002, all of whom have been directors for the whole of the year ended on that date, except as indicated, are listed below:

M Joy (resigned 6 June 2002)
H Pape
T Gilles
P Higginbotham (appointed 1 January 2003)

None of the directors who held office at the end of the period had any disclosable interest in the shares of the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the charges arising on adoption of new accounting Standards in the year as explained on page 8 under note 1 'Principal accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 1985. 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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 18 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors to the company. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting .

By order of the board

H Pape
Company secretary

Independent auditors' report to the members of Heraeus Kulzer Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

8 May 2003

Profit and loss account for the year ended 31 December 2002

	Notes	2002	2001
		£	£
Turnover	2	**1,883,212**	1,997,602
Cost of sales		**(747,952)**	(828,906)
Gross profit		**1,135,260**	1,168,696
Distribution and selling costs		**(760,379)**	(974,367)
Administrative expenses		**(346,150)**	(392,195)
Operating profit/(loss)	4	**28,731**	(197,866)
Interest receivable		**20,395**	7,739
Interest payable and similar charges	6	**(7,902)**	(14,394)
Profit/(loss) on ordinary activities before taxation		**41,224**	(204,521)
Tax on profit/(loss) on ordinary activities	7	**502**	-
Profit/(loss) for the financial year		**41,726**	(204,521)
Dividend repaid	8	**134,000**	-
Retained profit/(loss) for the financial year	14	**175,726**	(204,521)

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before tax and the profit for the year stated above and their historical cost equivalents.

The above results all arise from continuing activities.

Balance sheet at 31 December 2002

	Notes	2002	2001
		£	£
Fixed assets			
Tangible assets	9	**34,501**	65,973
Current assets			
Stock	10	**38,863**	60,477
Debtors	11	**165,354**	276,534
Cash at bank and in hand		**238,123**	187,454
		442,340	524,465
Creditors - Amounts falling due within one year	12	**(150,066)**	(439,389)
Net current assets		**292,274**	85,076
Net assets		**326,775**	151,049
Capital and reserves			
Called up share capital	13	**400,000**	400,000
Share premium account	14	**45,715**	45,715
Profit and loss account	14	**(118,940)**	(294,666)
Equity shareholders' funds	15	**326,775**	151,049

The financial statements on pages 5 to 13 were approved by the board of directors on 1st MAY 2003 and were signed on its behalf by:

P Higginbotham
Director

Notes to the financial statements for the year ended 31 December 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The directors have received an undertaking that the parent company will provide the financial resources required by the company to operate within its business plan and accordingly the financial statements have been prepared on a going concern basis.

The financial statements are prepared in accordance with the historical cost convention.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Heraeus Kulzer International GmbH and is included in the consolidated group cash flow statement. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the group.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers and commission received by the company as agents in the provision of goods to customers during the year.

Fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided by the company to write off the cost of tangible fixed assets less their estimated residual value, by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	25%
Fixtures and fittings	10%-33%

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stock

Stocks are stated at the lower of cost and net realisable value which is taken as the purchase price.

Pension costs

The company operates a defined contribution (money purchase) pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Employees have the right to make additional voluntary contributions. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Deferred taxation

Deferred taxation is recognised using the incremental liability method whereby taxation is provided on a full provision basis, without discounting, on all timing differences which have arisen but not reversed at the balance sheet date.

The deferred taxation balance has been measured at the rate expected to apply when the timing differences reverse.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered.

Adoption of new accounting standards

FRS19,'Deferred tax' has been adopted in this year's financial statements. The adoption of this Standard has had no significant effect on the company.

2 Turnover

	2002	2001
	£	£
United Kingdom	**852,739**	980,869
Europe	**1,030,473**	1,016,733
	1,883,212	1,997,602

3 Employee information

The average monthly number of persons (including directors) during the year was:

	2002	2001
	Number	Number
By activity		
Management and administration	**3**	3
Selling	**12**	16
	15	19

	2002	2001
	£	£
Staff costs (for the above persons)		
Wages and salaries	**499,188**	552,355
Social security costs	**54,765**	61,309
Other pension costs (see note 17)	**41,566**	42,626
	595,519	656,290

4 Operating profit/(loss)

Profit on ordinary activities before taxation is stated after charging:

	2002	2001
	£	£
Auditors' remuneration:		
Audit	**7,426**	8,000
Other services	**1,600**	9,000
Depreciation	**29,749**	41,985
Rentals payable under operating leases for:		
Land and buildings	**38,000**	38,658
Hire of plant and machinery	**47,450**	66,785

5 Directors' emoluments

	2002	2001
	£	£
Aggregate emoluments	**29,708**	76,742
Company contributions to money purchase pension schemes	**4,174**	11,295
	33,882	88,037

Retirement benefits are accruing to 1 director (2001: 1) under a defined contribution scheme.

6 Interest payable and similar charges

	2002	2001
	£	£
Payable to group companies	**7,902**	14,129
Other	**-**	265
	7,902	14,394

7 Taxation

	2002	2001
	£	£
Taxation charge/(credit) based on the profit for the period comprises:		
Corporation tax at 30% (2001: 30%)	-	-
Prior year underprovision	**(502)**	-
	(502)	-

The tax assessed for the period is lower than the standard of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£	£
Profit/(loss) on ordinary activities before tax	**41,224**	(204,5210)
Profit/(loss) multiplied by standard rate of tax @30%	**12,367**	(61,356)
Effects of:		
Expenses not deductible for tax purposes	**4,485**	5,400
Excess capital allowances over depreciation	-	4,655
Short term timing differences	**(1,688)**	3,000
Losses not recognised for tax purposes	**(15,164)**	48,301
Current year tax charge	**-**	-

The potential deferred tax asset is as follows:

	Amount Unprovided 2002	Amount Unprovided 2001
	£	£
Tax effect of timing differences because of:		
Excess of depreciation over tax allowances	**7,479**	7,478
Other	**4,311**	9,000
Losses	**36,430**	48,302
	48,220	64,780

8 Dividend

	2002	2001
	£	£
Repayment of interim dividend (33.5 pence per share) in respect of year ended 31 December 2000	**134,000**	-

As explained in the directors' report during the year ended 31 December 2000 an interim dividend of £134,000 was declared and paid whilst the company did not have sufficient distributable reserves in order to pay such a dividend. The directors were advised that this dividend constituted an unlawful distribution under the Companies Act 1985. This distribution was refunded, in full, to the company by Heraeus Kulzer International GmbH during the year ended 31 December 2002.

9 Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Total £
Cost			
At 1 January 2002	26,495	172,635	199,130
Additions	-	9,869	9,869
Disposals	(26,495)	(5,207)	(31,702)
At 31 December 2002	**-**	**177,297**	**177,297**
Depreciation			
At 1 January 2002	10,488	122,669	133,157
Charge for the year	4,416	25,333	29,749
Disposals	(14,904)	(5,206)	(20,110)
At 31 December 2002	**-**	**142,796**	**142,796**
Net book value			
At 31 December 2002	**-**	**34,501**	**34,501**
At 31 December 2001	16,007	49,966	65,973

10 Stock

	2002 £	2001 £
Finished goods for resale	**38,863**	60,477

11 Debtors

	2002 £	2001 £
Amounts falling due within one year		
Trade debtors	**110,244**	182,785
Amounts owed by group	**33,980**	43,955
Corporation tax recoverable	**-**	29,621
Prepayments and accrued income	**21,130**	20,173
	165,354	276,534

12 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	-	964
Trade creditors	**65,953**	30,715
Amounts owed to group undertakings	**838**	313,765
Corporation tax	-	-
Other tax and social security	**46,515**	57,496
Accruals and deferred income	**36,760**	36,449
	150,066	439,389

13 Called up share capital

	2002	2001
	£	£
Authorised, allotted, called up and fully paid		
400,000 ordinary shares of £1 each	**400,000**	400,000

14 Reserves

	Share Premium	Profit and loss account
	£	£
At 1 January 2002	45,715	(294,666)
Retained profit for the year	-	175,726
At 31 December 2002	**45,715**	**(118,940)**

15 Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
Profit/(loss) for the financial year	**41,726**	(204,521)
Dividends	**134,000**	-
Net addition/(reduction) to shareholders' funds	**175,726**	(204,521)
Shareholders' funds at 1 January 2002	**151,049**	355,570
Shareholders' funds at 31 December 2002	**326,775**	151,049

16 Commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Other		Land and buildings	
	2002	2001	**2002**	2001
	£	£	**£**	£
Operating leases which expire:				
Within one year	**3,304**	20,270	-	-
Two to five years	**31,644**	35,376	**38,000**	38,000
Over five years	-	-	-	-
	34,948	55,646	**38,000**	38,000

At 31 December 2002 and 31 December 2001 the company had no capital commitments.

17 Pensions

The company operates a defined contribution pension scheme. The charge for the period represents contributions payable by the company to the fund and amounted to £41,566 (2001: £42,626) paid into a defined contribution pension scheme.

18 Ultimate holding company

The immediate and ultimate parent undertaking and controlling party is Heraeus Kulzer International GmbH incorporated in Germany. Copies of the consolidated accounts are available from Heraeus Kulzer International GmbH, Gruner Weg 11, D-63450, Hanau, Germany.