

Wright Health Group Limited

**Directors' report and consolidated financial
statements**

Registered number SC007906

31 December, 2016

THURSDAY



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Company information

Directors	Sir AMM Grossart (Chairman) IL Matheson KA Souter DJ Millner
Secretary	KA Souter
Auditors	Grant Thornton UK LLP 110 Queen Street Glasgow G1 3BX
Registered Office	Dunsinane Avenue Kingsway West Dundee DD2 3QD
Bankers	The Royal Bank of Scotland plc St Andrew Square Edinburgh EH2 1AF
Solicitors	Thorntons Law LLP 33 Yeaman Shore Dundee DD1 4BJ

Strategic Report

Group profit before tax was £1,880,000 (2015: £1,869,000).

The Group continued to experience very challenging market conditions in 2016. Nevertheless, it delivered solid growth in the provision of dental materials through the strategic expansion of its sales teams. However, in common with its major competitors, sales of capital equipment were difficult as both the state and private dentists curtailed their levels of capital investment.

Despite currency fluctuations, Group turnover in 2016 was £66.8m, 13% up on last year at £59.1m. Gross profit increased to £18.3m with gross margin tightening to 27.5% due to the impact of currency movements and increased price competition in all major markets. Costs continue to be managed effectively, with increased productivity being achieved.

Group net debt at the end of the year was reduced to £1.8m from £3.4m resulting in a gearing of 9.6%. The sales growth has increased Group working capital requirements but it continues to manage this area closely and maintain a focus on strengthening its balance sheet. Group net assets at 31 December, 2016 were £19.0m (2015 £15.6m).

Future prospects and principal risks and uncertainties

The Board's view of the prospects for 2017 follows a similar pattern to that of 2016. Our customers face the challenge of reduced state funding and potential changes in the sophistication of treatment plans due to the pressures on disposable incomes of patients and their families. Exchange rate fluctuations may also contribute additional costs to the practices and laboratories.

However, the Group continues to operate from a solid platform which is based on the foundation of excellent customer service, and an extensive product portfolio, coupled with a highly competitive cost and pricing structure. Our strong balance sheet allows us to continue to invest in the Group organically and gives us the ability to seize appropriate acquisitions as and when they arise. The directors are therefore confident that the Group will continue to grow and prosper and that it has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Directors' Report and financial statements.



KA Souter
Secretary

Dundee

6 March, 2017

Directors' Report

The directors present their Directors' Report and financial statements for the year ended 31 December 2016.

Principal activities

The Group operates in the UK, Hungary, South Africa and USA and its principal activity continues to be the manufacture, import and purchase from other manufacturers of dental equipment and material of all kinds and the distribution of these products both wholesale and retail in the UK, South Africa, USA and other overseas markets.

Results and Dividend

The trading results for the year and the Group's financial position at the end of the year are shown in the following Financial Statements and are discussed further in the Strategic Report.

The Company has paid the following dividends during the year:-

	2016	2015
	£	£
Ordinary Shares – Interim	£ -	£166,000
Ordinary Shares – Final	<u>£ -</u>	<u>£249,000</u>
	£ -	£415,000

No dividend is proposed in respect of the current financial year.

Directors

The directors of the company who served during the year are shown on page 1.

The company maintains liability insurance covering the directors and officers of the company.

Future developments

Details of future developments are provided in the strategic report on page 2.

Financial instruments

Details of financial instruments are provided within Note 27 on page 27 and 28.

Employee Involvement

The Group regularly communicates with all staff providing information on the developments within the Group including updates on the Group's strategy and details of new products and services.

Employment of Disabled Persons

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities.

Charitable contributions

During the year the Group made various charitable contributions totalling £1,000 (2015: £1,000).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Report (continued)

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

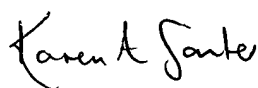
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditors

A resolution for the re-appointment of Grant Thornton UK LLP as auditors of the company is to be proposed at the forthcoming meeting of the directors on 28 February, 2017.

By order of the Board



KA Souter
Secretary

Dundee

6 March, 2017

Independent auditor's report to the members of Wright Health Group Limited

We have audited the financial statements of Wright Health Group Limited for the year ended 31 December 2016 which comprise the consolidated and parent company statements of financial position, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity and the related notes. 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 and express an opinion on 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has 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 group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Independent auditor's report to the members of Wright Health Group Limited (continued)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
Date: 9 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	3	66,792	59,129
Cost of sales		(48,447)	(42,077)
Gross profit		18,345	17,052
Distribution costs		(12,466)	(10,935)
Administrative expenses		(3,908)	(4,165)
Operating profit		1,971	1,952
Interest receivable and similar income	7	105	79
Interest payable and similar charges	8	(196)	(162)
Profit on ordinary activities before taxation	4-6	1,880	1,869
Taxation on profit on ordinary activities	9	(521)	(516)
Profit for the financial year		1,359	1,353

Turnover and operating profit in the current and previous years arise wholly from continuing activities.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 £000	2015 £000
Profit for the financial year	1,359	1,353
Net exchange differences on the retranslation of net investments and related borrowings	2,040	(1,327)
Total comprehensive income for the financial year	3,399	26

The accompanying accounting policies and notes on pages 12 to 28 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Fixed assets			
Intangible assets	<i>10</i>	869	997
Tangible assets	<i>11</i>	860	852
		<hr/> 1,729	<hr/> 1,849
Current assets			
Stock and work in progress	<i>13</i>	16,764	15,281
Debtors	<i>14</i>	14,821	12,005
Cash at bank and in hand		315	69
		<hr/> 31,900	<hr/> 27,355
Creditors: amounts falling due within one year	<i>15</i>	(14,175)	(13,226)
		<hr/>	<hr/>
Net current assets		17,725	14,129
		<hr/>	<hr/>
Total assets less current liabilities		19,454	15,978
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	<i>16</i>	(227)	(156)
Provisions for liabilities	<i>17</i>	(209)	(203)
		<hr/>	<hr/>
Net assets		19,018	15,619
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>19</i>	332	332
Other reserves		303	303
Profit and Loss Account	<i>20</i>	18,383	14,984
		<hr/>	<hr/>
Shareholders' funds		19,018	15,619
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 6 March, 2017 and signed on its behalf by:



IL Matheson
Director

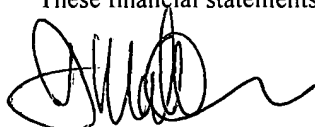
The accompanying accounting policies and notes on pages 12 to 28 form an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Fixed assets			
Intangible assets	<i>10</i>	409	389
Tangible assets	<i>11</i>	724	754
Investments in subsidiary undertakings	<i>12</i>	3,405	3,405
		<hr/> 4,538	<hr/> 4,548
Current assets			
Stock and work in progress	<i>13</i>	9,625	10,025
Debtors	<i>14</i>	10,392	8,856
Cash at bank and in hand		2	2
		<hr/> 20,019	<hr/> 18,883
Creditors: amounts falling due within one year	<i>15</i>	(10,682)	(10,643)
		<hr/>	<hr/>
Net current assets		9,337	8,240
		<hr/>	<hr/>
Total assets less current liabilities		13,875	12,788
Creditors: amounts falling due after more than one year	<i>16</i>	-	-
Provisions for liabilities	<i>17</i>	(60)	(85)
		<hr/>	<hr/>
Net assets		13,815	12,703
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	<i>19</i>	332	332
Other reserves		18	18
Profit and Loss Account	<i>20</i>	13,465	12,353
		<hr/>	<hr/>
Shareholders' funds		13,815	12,703
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 6 March, 2017 and signed on its behalf by:



IL Matheson
Director

The accompanying accounting policies and notes on pages 12 to 28 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Profit for the financial year	1,359	1,353
Adjustments for:		
Amortisation of intangible assets	361	337
Depreciation of tangible assets	291	300
Loss/ (Gain) on sale of fixed assets	3	(1)
Interest paid	196	162
Interest received	(105)	(79)
Taxation	521	516
(Increase) in trade and other debtors	(1,369)	(1,396)
Decrease/(Increase) in stocks	202	(1,212)
Increase in trade creditors	1,088	3,079
Cash from operations	2,547	3,059
Income taxes paid	(512)	(470)
Net cash generated from operating activities	2,035	2,589
Cash flows from investing activities		
Proceeds from sale of tangible assets	8	65
Purchases of tangible assets	(429)	(425)
Interest received	105	79
Net cash from investing activities	(316)	(281)
Cash flows from financing activities		
Repayment of finance lease obligations	(77)	(131)
Interest paid	(196)	(162)
Dividends paid	-	(415)
Net cash used in financing activities	(273)	(708)
Net increase in cash and cash equivalents	1,446	1,600
Foreign exchange translation adjustment	127	(251)
Cash and cash equivalents at the beginning of year	(3,390)	(4,739)
Cash and cash equivalents at end of year	(1,817)	(3,390)
Components of cash and cash equivalents		
Cash	315	69
Overdraft	(2,132)	(3,459)
Cash and cash equivalents	(1,817)	(3,390)

The accompanying accounting policies and notes on pages 12 to 28 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Called-up share capital	Capital reserves	Profit and loss account	Total
	£ '000	£ '000	£ '000	£ '000
At 1 January 2015	332	303	15,373	16,008
Profit for the year	-	-	1,353	1,353
Other comprehensive income	-	-	(1,327)	(1,327)
Dividends paid	-	-	(415)	(415)
At 31 December 2015	332	303	14,984	15,619
Profit for the year	-	-	1,359	1,359
Other comprehensive income	-	-	2,040	2,040
Dividends paid	-	-	-	-
At 31 December 2016	332	303	18,383	19,018

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Called-up share capital	Capital reserves	Profit and loss account	Total
	£ '000	£ '000	£ '000	£ '000
At 1 January 2015	332	18	11,627	11,977
Profit and total comprehensive income for the year	-	-	1,141	1,141
Dividends paid	-	-	(415)	(415)
At 31 December 2015	332	18	12,353	12,703
Profit and total comprehensive income for the year	-	-	1,112	1,112
Dividends paid	-	-	-	-
At 31 December 2016	332	18	13,465	13,815

Notes to the financial statements

1 Company information

Wright Health Group Limited is a private company limited by shares, incorporated and domiciled in Scotland. The company's registered office is shown on page 1.

The Group operates in the UK, Hungary, South Africa and USA and its principal activity continues to be the manufacture, import and purchase from other manufacturers of dental equipment and material of all kinds and the distribution of these products both wholesale and retail in the UK, South Africa, USA and other overseas markets.

The principal accounting policies adopted by the Group are set out below.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. There were no material departures from those standards. The financial statements have been prepared on the historical cost basis.

These group financial statements consolidate the financial statements of Wright Health Group Limited and all its subsidiary undertakings drawn up to 31 December each year.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Income Statement in these financial statements. The parent company's profit for the year was £1,112,000 (2015: £1,141,000). In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and parent company would be identical;
- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The financial statements are presented in Sterling (£) and in round £000s.

Going Concern

The group meets its day to day working capital requirements through bank facilities.

The current economic conditions continue to create widespread uncertainty, particularly over the level of demand of the group's products.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities.

Notes (continued)

2 Accounting policies (continued)

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue their operations for at least 12 months from the date of the approval of these accounts. Accordingly they continue to adopt the going concern basis in preparing the Directors' Report and financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2016. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the Consolidated Statement of Comprehensive Income from the date of acquisition or up to the date of disposal. Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its Statement of Comprehensive Income.

Significant judgements and estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the period end, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

Tangible fixed assets and depreciation

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

Freehold properties	50 years
Short leasehold properties	life of lease
Plant, equipment and fittings	4-10 years
Computer hardware	2-6 years
Motor vehicles	4-5 years

Intangible fixed assets

Software

Software is recognised at cost on purchase and amortised on a straight-line basis over its useful economic life as follows:

Computer software	2-6 years
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Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life as follows:

Goodwill	10-20 years
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Investments

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Notes (continued)

2 Accounting policies (continued)

Impairment of fixed assets and goodwill

The carrying amounts of the group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the Income Statement if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the Statement of Other Comprehensive Income until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Stock and work in progress

Stock is valued at cost or estimated selling price less costs to sell. Finished goods of the group's own manufacture and work in progress include an appropriate proportion of manufacturing overhead expenditure at cost. Any losses from impairment are recognised in the income statement in cost of sales.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment. Any losses from impairment are recognised in the income statement in administrative expenses.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes (continued)

2 Accounting policies (continued)

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary has been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

The group operates three defined contribution pension schemes. The assets of the schemes are held separately from those of the group in an independently administered fund. The amounts charged to the income statement represent the contributions payable to the schemes in respect of the accounting period.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the date of the statement of financial position. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Exchange differences arising on conversion are recognised in other comprehensive income and are not reclassified to profit or loss.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and Loss Accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves. The rates of exchange adopted are:

	2016		2015	
	Closing rate	Average rate	Closing rate	Average rate
Rate to the £				
Rand South Africa	16.94	19.90	22.91	19.51
US Dollar	1.23	1.35	1.48	1.53
HUF Hungary	361.62	382.94	429.12	426.12

Notes (continued)

2 Accounting policies (continued)

Leases and similar hire purchase contracts

Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future obligations are shown in creditors. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Classification of financial instruments issued by the company

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in the income statement. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

Provisions for liabilities

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the date of the statement of financial position are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

3 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax. The directors consider the group to have three main types of sales, being materials, equipment and service. Turnover in respect of material sales is recognised when the goods are despatched on an immediate and direct basis. Turnover on equipment installations is recognised when substantially all the risk and reward has transferred. This is generally at the point when installation is complete and accepted by the customer. Revenue from service work and contracts is recognised in the period in which the services are provided.

Turnover analysed geographically between markets, was as follows:

	2016	2015
	£000	£000
UK	46,665	39,575
Africa	17,863	17,499
North America	1,462	1,240
All other countries	802	815
	<u>66,792</u>	<u>59,129</u>

4 Notes to the Income Statement

	2016	2015
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible assets (note 11)	291	300
Amortisation of intangibles (note 10)	361	337
Hire of plant and machinery – rentals payable under operating leases	353	346
Hire of other assets – operating leases	586	523
Exchange gain	(106)	(112)
Changes in fair value of derivatives	(6)	(90)
	<u></u>	<u></u>
<i>and after crediting:</i>		
Gain/(Loss) on sale of fixed assets	(3)	1
	<u></u>	<u></u>
<i>Auditors' remuneration:</i>	2016	2015
	£000	£000
Audit of these financial statements	30	29
<i>Amounts receivable by auditors and their associates in respect of:</i>		
Audit of financial statements of subsidiaries pursuant to legislation	39	41
Other services relating to taxation	19	16
	<u></u>	<u></u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Selling and distribution	261	248
Manufacturing	50	57
Management and administration	62	61
	<u>373</u>	<u>366</u>
The aggregate payroll costs of these persons were:	2016	2015
	£000	£000
Wages and salaries	8,989	8,081
Social security costs	807	736
Other pension and medical insurance costs	728	661
	<u>10,524</u>	<u>9,478</u>

Pension payments recognised as an expense during the year amount to £427,000 (2015: £348,000).

6 Directors' emoluments

	2016	2015
	£000	£000
Directors' emoluments	579	567
Fees paid to related parties for directors' services	65	47
Contributions to money purchase pension schemes	37	37

The emoluments of the highest paid director were £299,000 (2015: £294,000). This director's accrued pension benefit and accrued lump sum as at 31 December 2016 were £78,000 (2015: £75,000) and £137,000 (2015: £130,000) respectively. Retirement benefits are accruing to 2 directors under a money purchase scheme (2015: 2).

7 Interest receivable and similar income

	2016	2015
	£000	£000
Interest received on trade debtor balances due to overseas subsidiaries	104	78
Bank and other interest receivable	1	1
	<u>105</u>	<u>79</u>

Notes (continued)

8 Interest payable and similar charges

	2016	2015
	£000	£000
Bank loans and overdraft interest	184	144
Finance charges in respect of finance leases and hire purchase contracts	12	18
	<u>196</u>	<u>162</u>

9 Taxation

	2016	2015
	£'000	£'000
UK Corporation Tax	262	141
Adjustments in respect of previous periods	-	-
Overseas taxation	285	391
Adjustments to overseas tax in respect of previous periods	(24)	(6)
Total current tax	<u>523</u>	<u>526</u>
Deferred taxation: origination and reversal of timing differences	3	(3)
Deferred taxation: changes in tax rates	(5)	(7)
Tax on results on ordinary activities	<u>521</u>	<u>516</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom at 20% (2015: 20.25%). The differences are explained as follows:

Profit on ordinary activities before tax	<u>1,880</u>	<u>1,869</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015: 20.25%)	378	378
Expenses not deductible for tax purposes	96	48
Rate Change	(92)	4
Effect of transition to FRS 102		(3)
Losses carried forward	144	84
Prior year adjustments	(102)	(46)
Overseas tax differences	84	52
Re-measurement of deferred tax	-	(1)
Fixed asset differences	15	
Tax on results on ordinary activities	<u>521</u>	<u>516</u>

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £60,000 (2015: £85,000).

Notes (continued)

10 Intangible fixed assets

Group	Goodwill	Computer Software	Total
Cost	£000	£000	£000
At 1 January 2016	1,496	1,244	2,740
Additions	-	206	206
Disposals	-	-	-
Exchange adjustments	-	152	152
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,496	1,602	3,098
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2016	941	802	1,743
Charge for the year	125	236	361
On disposals	-	-	-
Exchange adjustments	-	125	125
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,066	1,163	2,229
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2016	430	439	869
	<hr/>	<hr/>	<hr/>
At 31 December 2015	555	442	997
	<hr/>	<hr/>	<hr/>

Company	Goodwill	Computer Software	Total
Cost	£000	£000	£000
At 1 January 2016	486	759	1,245
Additions	-	206	206
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2016	486	965	1,451
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2016	413	443	856
Charge for the year	25	161	186
On disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2016	438	604	1,042
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2016	48	361	409
	<hr/>	<hr/>	<hr/>
At 31 December 2015	73	316	389
	<hr/>	<hr/>	<hr/>

Amortisation of intangible fixed assets is included in administrative expenses

Notes (continued)

11 Tangible fixed assets

Group	Freehold property £000	Short leasehold property £000	Plant, equipment and fittings £000	Computer hardware £000	Motor vehicles £000	Total £000
<i>Cost</i>						
At 1 January 2016	948	225	5,038	906	189	7,306
Additions	35	44	115	29	-	223
Disposals	-	-	-	-	(61)	(61)
Exchange adjustments	-	43	290	129	47	509
At 31 December 2016	983	312	5,443	1,064	175	7,977
<i>Depreciation</i>						
At 1 January 2016	591	161	4,798	759	145	6,454
Charge for the year	25	22	150	86	8	291
On disposals	-	-	-	(1)	(49)	(50)
Exchange adjustments	-	34	244	108	36	422
At 31 December 2016	616	217	5,192	952	140	7,117
<i>Net book value</i>						
At 31 December 2016	367	95	251	112	35	860
At 31 December 2015	357	64	240	147	44	852

The net book value of assets held under finance leases and hire purchase contracts was £109,000 (2015: £284,000) and the depreciation charged in the year amounted to £26,000 (2015: £140,000).

Company	Freehold property £000	Short leasehold property £000	Plant, equipment and fittings £000	Computer hardware £000	Motor vehicles £000	Total £000
<i>Cost</i>						
At 1 January 2016	948	55	1,020	621	18	2,662
Additions	35	-	98	-	-	133
Disposals	-	-	-	-	-	-
At 31 December 2016	983	55	1,118	621	18	2,795
<i>Depreciation</i>						
At 1 January 2016	591	53	757	490	17	1,908
Charge for the year	25	1	96	40	1	163
On disposals	-	-	-	-	-	-
At 31 December 2016	616	54	853	530	18	2,071
<i>Net book value</i>						
At 31 December 2016	367	1	265	91	-	724
At 31 December 2015	357	2	263	131	1	754

The net book value of assets held under finance leases and hire purchase contracts was £nil (2015: £145,000) and the depreciation charged in the year amounted to £nil (2015: £96,000).

Notes (continued)

12 Investment in subsidiary undertakings

	Company £000
<i>Cost and Net book value</i>	
<i>At 1 January 2016 and 31 December 2016</i>	<u><u>3,405</u></u>

The company owns the whole issued share capital of the following principal subsidiary undertakings which are included in these financial statements.

Company	Country of registration	Principal activity	Class and percentage of shares held
Millner's Dental Suppliers (Cape) (Proprietary) Limited	South Africa	Selling and distribution of dental equipment and requisites	100% ordinary
Wright Dental Hungary Kft	Hungary	Manufacture of dental products	100% ordinary
Dentorium Products Company Inc USA	USA	Selling and distribution of dental laboratory materials	100% ordinary
Elan Dental (Proprietary) Limited	South Africa	Selling and distribution of dental equipment and requisites	100% ordinary
Ekonodent (Proprietary) Limited	South Africa	Selling and distribution of dental equipment and requisites	100% ordinary

13 Stock and work in progress

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Raw materials	298	274	55	111
Work in progress	275	245	24	21
Finished goods and goods for resale	16,191	14,762	9,546	9,893
	<u>16,764</u>	<u>15,281</u>	<u>9,625</u>	<u>10,025</u>

Stock recognised through Cost of Sales during the year amounted to £46,505,000 (2015 - £40,395,000)

14 Debtors

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade debtors	13,355	10,758	8,296	6,891
Other taxation	86	36	-	-
Due from subsidiary undertakings	-	-	1,207	1,020
Deferred tax asset - foreign	107	99	-	-
Other debtors	818	612	541	488
Prepayments	455	500	348	457
Corporation tax	-	-	-	-
	<u>14,821</u>	<u>12,005</u>	<u>10,392</u>	<u>8,856</u>

Notes (continued)

14 Debtors (continued)

The deferred tax asset relates to the group's South African subsidiary, Millner's Dental Suppliers (Cape) (Proprietary) Limited, and wholly relates to the difference between accumulated depreciation and capital allowances. This asset has been recognised in the financial statements, as based on future profit projections, the directors believe that the asset will be recoverable in the foreseeable future.

15 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Bank overdraft and loans	2,132	3,459	2,132	3,138
Trade creditors	10,049	8,105	6,355	5,633
Social security and other taxes	997	619	892	594
Other creditors and accruals	780	808	391	423
Due to subsidiary undertakings	-	-	756	712
Obligations under finance leases and hire purchase contracts	37	72	-	39
Corporation tax	177	140	156	104
Foreign tax	3	23	-	-
	<u>14,175</u>	<u>13,226</u>	<u>10,682</u>	<u>10,643</u>

The Royal Bank of Scotland plc has a bond and floating charge over the assets of the company and a standard security over the company's premises at Dunsinane Avenue, Dundee.

Millner's Dental Suppliers (Cape) (Proprietary) Limited has provided the First National Bank of South Africa with an unlimited suretyship for bank overdraft facilities over itself and its subsidiaries M Millners Pharmaceuticals (Proprietary) Limited, P Grant Smith (Proprietary).

The trade debtors of Millner's Dental Suppliers (Cape) (Proprietary) Limited have been ceded to the First National Bank of South Africa to secure bank overdraft facilities.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Obligations under finance leases and hire purchase contracts	44	60	-	-
Other creditors	183	96	-	-
	<u>227</u>	<u>156</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Analysis of debt:				
Debt can be analysed as falling due:				
In one year or less, or on demand	2,132	3,459	2,132	3,138

Notes (continued)

17 Provisions for liabilities and charges

	Deferred taxation £000	Leave Pay £000	Total £000
Group			
At beginning of year	85	118	203
Charge to the Income Statement for the year	(25)	31	6
	<hr/>	<hr/>	<hr/>
At end of year	60	149	209
	<hr/>	<hr/>	<hr/>
		Deferred taxation £000	Total £000
Company			
At beginning of year		85	85
Charge to the Income Statement for the year		(25)	(25)
		<hr/>	<hr/>
At end of year		60	60
		<hr/>	<hr/>

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

The amount of the net reversal of deferred tax expected to occur next year is £nil (2015: £nil), attributable to the difference between accumulated depreciation and capital allowances, and other timing differences

The elements of deferred taxation are as follows:

	2016 Provided £000	2015 Provided £000
Difference between accumulated depreciation and capital allowances	65	72
Other timing differences	(5)	13
	<hr/>	<hr/>
	60	85
	<hr/>	<hr/>

18 Related party transactions

Related party transactions with the other 100% owned group undertakings are excluded from the consolidated financial statements of the ultimate parent undertaking, Wright Health Group Limited, and are therefore exempt from disclosures in these financial statements under section 33.1A of FRS 102.

During the year transactions totalling £57,000 (2015: £34,000) were entered into with Noble Grossart Limited. The balance owed to Noble Grossart Limited at the year-end was £16,000 (2015: £9,000) which is noted within accruals.

Notes *(continued)*

18 Related party transactions (continued)

Compensation paid to key management (only directors are deemed to fall into this category) during the year was as follows:

	2016 £000	2015 £000
Salaries and other short-term employee benefits	644	614
Post-employment benefits	37	37
	<u>681</u>	<u>651</u>

19 Called up share capital

	2016 £000	2015 £000
<i>Company</i>		
<i>Allotted, called up and fully paid</i>		
332,000 ordinary shares of £1 each	332	332
	<u>332</u>	<u>332</u>

20 Reserves

Called-up share capital represents the nominal value of shares that have been issued.

The profit and loss account includes all current and prior period retained profits and losses.

21 Dividends

The aggregate amount of dividends comprises:

	2016 £000	2015 £000
Interim dividends paid in respect of prior year but not recognised as liabilities in that year	-	166
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	249
	<u>-</u>	<u>415</u>
Aggregate amount of dividends paid in the financial year	<u>-</u>	<u>415</u>

As at the signing date of these financial statements, the aggregate amount of dividends in relation to the financial year was £nil (2015: £nil).

22 Contingent liabilities

Group and company

The Royal Bank of Scotland plc, on behalf of Wright Health Group Limited, has guaranteed payments to HMRC in respect of Deferred Import Duties to a limit of £50,000 in any calendar month (2015: £50,000).

Notes (continued)

23 Capital Commitments

Group and company

The group and company had contracted capital commitments at the end of the year of £nil (2015: £39,000)

24 Leasing Commitments

Total commitments under non-cancellable operating leases are as follows:

	2016		2015	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	289	380	270	126
In the second to fifth years inclusive	1,047	529	1,149	642
Over five years	580	-	768	-
	<u>1,916</u>	<u>909</u>	<u>2,187</u>	<u>768</u>
	2016		2015	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Company				
Operating leases which expire:				
Within one year	18	374	18	449
In the second to fifth years inclusive	72	319	72	591
Over five years	64	-	81	-
	<u>154</u>	<u>693</u>	<u>171</u>	<u>1,040</u>

The future minimum finance lease payments are as follows:

	2016 £000	2015 £000
Group		
Within one year	37	72
Between one and five years	44	60
	<u>81</u>	<u>132</u>
	2016 £000	2015 £000
Company		
Within one year	-	38
Between one and five years	-	-
	<u>-</u>	<u>38</u>

Notes (continued)

25 Pension schemes

The group operates defined contribution pension schemes. Details of each of the schemes operated by the group are given below.

Defined contribution schemes

Wright Health Group Limited operates a defined contribution scheme to provide retirement benefits for certain of its employees. The assets of the scheme are held separately from those of the company, and are invested with an insurance company. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £260,000 (2015: £208,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Millner's Dental Suppliers (Cape) (Proprietary) Limited ('Millners') operate a fund to provide retirement benefits for its employees. The contributions paid by Millners to fund obligations for the payment of retirement benefits are charged against income in the year of payment.

Millners' employees are members of the Millners Dental Suppliers Pension Fund which is a defined contribution plan subject to the Pension Fund Act 1956 of South Africa. The fund is costed on an individual basis and any deficit identified is funded by increased future contributions. The pension cost charged to the income statement for the year was £167,000 (2015: £140,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

26 Financial assets and liabilities

Group	2016 £'000	2015 £'000
Financial liabilities measured at fair value through profit or loss	24	18
Financial liabilities measured at amortised cost	13,495	12,600
Financial assets measured at amortised cost	31,293	26,475

The foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract.

27 Financial Risk Management

The group has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

Foreign exchange currency exposure

The group is exposed to currency exchange rate risk due to a significant proportion of its operations being based overseas and denominated in non-Sterling currencies. Group companies also import goods and services in various currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts and currency bank accounts. The forward foreign exchange contracts all mature within 12 months.

Notes *(continued)*

27 Financial Risk Management (continued)

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available. The Group is in a position to meet its commitments and obligations as they come due.

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by sound, commercial credit control policies.

28 Ultimate Holding Company

Noble Grossart Investments Limited is the ultimate holding company at the balance sheet date.