

3587006

Henry Schein UK Finance Limited

Report and Financial Statements

Year ended

31 December 1999



BDO Stoy Hayward
Chartered Accountants

HENRY SCHEIN UK FINANCE LIMITED

Annual report and financial statements for the year ended 31 December 1999

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Directors

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Directors

S Getraer
S Paladino
M Zack
M Ridout

Secretary and registered office

P Dodd, 8 Baker Street, London, W1U 3LL.

Company number

3587006

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

HENRY SCHEIN UK FINANCE LIMITED

Report of the directors for the year ended 31 December 1999

The directors present their report together with the audited financial statements for the year ended 31 December 1999.

Results and dividends

The profit and loss account is set out on page 4 and shows the result for the year.

The directors recommended the payment of a final dividend of £2 million (1998 - £Nil).

Principal activities, trading review and future developments

The principal activity of the group is that of the sale and distribution of dental consumables and pharmaceuticals by mail order.

The group traded satisfactorily during the year and the directors are confident that sales will continue to grow and that trading conditions will improve profitability.

Employee involvement

Members of the management team regularly discuss matters of current interest and concern to the business with members of staff.

Employment of disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

Directors

None of the directors has any interest in the ordinary share capital of the company nor in the shares of any of the subsidiaries.

The directors of the company during the year were:

Michael Zack
Steven Paladino
Steven Getraer
Mark Ridout

HENRY SCHEIN UK FINANCE LIMITED

Report of the directors for the year ended 31 December 1999 (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that 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

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

P Dodd

Secretary

Date *31 January 2001*

HENRY SCHEIN UK FINANCE LIMITED

Report of the auditors

To the shareholders of Henry Schein UK Finance Limited

We have audited the financial statements on pages 4 to 23 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

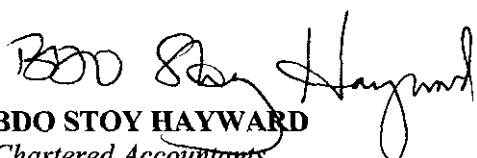
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

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

Qualified audit opinion arising from disagreement about accounting treatment

No comparatives have been prepared for the consolidated cash flow statement as required by Financial Reporting Standard 1.

Except for the failure to produce cash flow comparative figures, in our opinion the financial statements give a true and fair view of the state of the company and the group's affairs as at 31 December 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

Date 31 January 2001

HENRY SCHEIN UK FINANCE LIMITED

Consolidated profit and loss account for the year ended 31 December 1999

	Note	Year ended 31.12.1999 £	Acquisition Year ended 31.12.1999 £	Total Year ended 31.12.1999 £	1 month ended 31.12.1998 £
Turnover	2	56,261,372	9,927,808	66,189,180	4,512,845
Cost of sales		37,446,198	7,150,725	44,596,923	3,063,639
Gross profit		18,815,174	2,777,083	21,592,257	1,449,206
Distribution costs		1,891,027	28,155	1,919,182	135,278
Administrative expenses		15,707,614	2,233,016	17,940,630	1,137,493
		1,216,533	515,912	1,732,445	176,435
Other operating income	4	319,939	13,361	333,300	16,697
Operating profit		1,536,472	529,273	2,065,745	193,132
Interest receivable				5,499	2,283
Interest payable	5			924,148	73,327
Profit on ordinary activities before taxation	6			1,147,096	122,088
Taxation on profit on ordinary activities	8			896,806	47,066
(Loss)/profit on ordinary activities after taxation				250,290	75,022
Minority interests - equity				183,721	19,469
- dividend				121,031	-
Dividends				2,000,000	-
Retained (loss)/profit	18			(2,054,462)	55,553

All amounts relate to continuing activities.

The notes on pages 9 to 23 form part of these financial statements

HENRY SCHEIN UK FINANCE LIMITED**Consolidated statement of total recognised gains and losses for the year ended 31 December 1999**

	Note	1999 £	1998 £
(Loss)/profit for the financial year		(2,054,462)	55,553
Exchange translation differences on foreign currency net investments in subsidiary undertakings	18	5,312	-
		<hr/>	<hr/>
Total recognised gains and losses for the year		(2,049,150)	55,553
		<hr/>	<hr/>

The notes on pages 9 to 23 form part of these financial statements

HENRY SCHEIN UK FINANCE LIMITED

Consolidated balance sheet at 31 December 1999

	Note	1999	1998
		£	£
Fixed assets			
Intangible assets - Other intangibles	9a	4,975,682	1,670,218
- Negative goodwill	9a	(1,350,405)	(1,421,479)
Tangible assets	9b	2,461,209	2,105,018
Current assets			
Stocks	12	9,781,485	9,166,838
Debtors	13	31,357,717	27,045,895
Cash at bank and in hand		<u>8,993,255</u>	<u>5,353,708</u>
		50,132,457	41,566,441
Creditors: amounts falling due within one year	14	<u>45,257,678</u>	<u>34,937,921</u>
Net current assets		4,874,779	6,628,520
Total assets less current liabilities		10,961,265	8,982,277
Creditors: amounts falling due after more than one year	15	11,884,660	8,014,816
Provision for liabilities and charges	16	-	13,456
		(923,395)	954,005
Capital and reserves			
Called up share capital	17	256,346	256,346
Profit and loss account	18	(1,993,597)	55,553
Shareholders' funds	19	(1,737,251)	311,899
Minority interests		813,856	642,106
		(923,395)	954,005

All items under capital and reserves represent equity interests.

The financial statements were approved by the Board on 31 January 2001

M Ridout
Director

The notes on pages 9 to 23 form part of these financial statements

HENRY SCHEIN UK FINANCE LIMITED

Balance sheet at 31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Investments	10	256,344	256,344
Current assets			
Debtors	13	11,649,752	2
Cash		20,250	-
		<u>11,670,002</u>	<u>2</u>
Creditors: amounts falling due within one year	14	<u>3,154,421</u>	<u>-</u>
Net current assets		<u>8,515,581</u>	<u>2</u>
Total assets less current liabilities		<u>8,771,925</u>	<u>256,346</u>
Creditors: amounts falling due after more than one year	15	<u>9,150,000</u>	<u>-</u>
		<u>(378,075)</u>	<u>256,346</u>
Capital and reserves			
Called up share capital	17	256,346	256,346
Share premium account	18	-	-
Profit and loss account	18	(634,421)	-
Shareholders' funds	19	<u>(378,075)</u>	<u>256,346</u>

All items under capital and reserves represent equity interests.

The financial statements were approved by the Board on 31 January 2001

M Ridout
Director

The notes on pages 9 to 23 form part of these financial statements

HENRY SCHEIN UK FINANCE LIMITED

Consolidated cash flow statement for the year ended 31 December 1999

	Note	£	£
Net cash inflow from operating activities	21		12,171,022
Returns on investments and servicing of finance			
Interest received		5,499	
Interest paid		(905,046)	
Interest element of finance lease rentals payments		(19,102)	
			(918,649)
Taxation			(918,770)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(1,866,811)	
Purchase of tangible fixed assets		(364,771)	
Sale of tangible fixed assets		22,452	
			(2,209,130)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(6,979,332)	
Cash acquired with subsidiary		216,521	
			(6,762,811)
Equity dividend paid			(2,000,000)
Cash outflow before use of liquid resources and financing			(638,338)
Financing			
Capital element of finance lease rental payments		(95,461)	
Repayment of loans less than one year		(98,445)	
			(193,906)
Decrease in cash	22		(832,244)

The notes on pages 9 to 23 form part of these financial statements

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999

1 Accounting policies

There have been no changes in accounting policies during the year.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary undertakings made up to 31 December 1999. The group uses the acquisition method of accounting to consolidate the results of subsidiary undertakings from the date of acquisition.

A separate profit and loss account dealing with the results of the parent undertaking only has not been presented as permitted under Section 230 of the Companies Act 1985.

Goodwill

Goodwill arising on the acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is amortised through the profit and loss account over the directors' estimate of its useful economic life. As permitted by FRS10, goodwill arising on previous acquisitions has not been reinstated to intangible fixed assets from reserves.

Development costs

Expenditure on internal research projects is charged to the profit and loss account in the year in which it is incurred. Costs of developing products for marketing are capitalised to the extent that such products will be profitably marketed. Costs are amortised evenly over their expected useful life once the products are marketed.

Licences

Costs incurred in acquiring licences are capitalised and amortised over the length of the licence.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Freehold and leasehold properties	- 4% per annum
Computer equipment	- 25% per annum
Fixtures, fittings, tools and equipment	- 20% and 33% per annum
Motor vehicles	- 25% and 33% per annum

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

1 Accounting policies (*Continued*)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

Foreign currencies

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

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations under finance leases and hire purchase contracts. Depreciation on the relevant assets is charged to the profit and loss account.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Pension costs

Pension scheme contributions are charged to operating profits as they arise.

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

2 Turnover and profits

The turnover and profit before taxation is wholly attributable to the sale of dental consumables, computer equipment and pharmaceuticals.

Analysis by market:

	Turnover	
	Year ended 31 December 1999 £	1 month ended 31 December 1998 £
UK	64,658,014	4,390,628
Rest of Europe	645,997	49,765
Rest of the World	885,169	72,452
	<hr/>	<hr/>
	66,189,180	4,512,845
	<hr/>	<hr/>

3 Employees

	Year ended 31 December 1999 £	1 month ended 31 December 1998 £
Staff costs consist of:		
Wages and salaries	5,885,868	530,128
Social security costs	571,014	50,635
Other pension costs	112,653	14,612
	<hr/>	<hr/>
	6,569,535	595,375
	<hr/>	<hr/>
The average number of employees during the year was:	Number	Number
	305	309
	<hr/>	<hr/>

4 Other operating income

The other operating income relates to income earned for the marketing and distribution of products.

HENRY SCHEIN UK FINANCE LIMITEDNotes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)**5 Interest payable**

	Year ended 31 December 1999 £	1 month ended 31 December 1998 £
Bank loans and overdrafts	13,799	31,254
Hire purchase interest	19,102	2,303
Other loans	891,247	39,770
	<u>924,148</u>	<u>73,327</u>

6 Profit on ordinary activities before taxation

	Year ended 31 December 1999 £	1 month ended 31 December 1998 £
This is arrived at after charging/(crediting):		
Auditors' remuneration - audit services	108,974	8,783
Hire of plant and machinery - operating leases	12,328	2,588
Hire of other assets - operating leases	89,562	20,766
Depreciation of tangible fixed assets	675,139	46,303
Amortisation of intangible assets	306,834	28,701
Exchange differences	-	8,266
Directors' emoluments (note 7)	375,269	37,359
Loss/(profit) on disposal of tangible fixed assets	8,627	(4,951)
	<u> </u>	<u> </u>

Depreciation includes £42,526 (1998 - £99,419) charged on assets held under finance leases and hire purchase contracts.

7 Directors' emoluments

	Year ended 31 December 1999 £	1 month ended 31 December 1998 £
Emoluments	367,103	33,212
Pensions to present and former directors	8,166	4,147
	<u>375,269</u>	<u>37,359</u>
Emoluments (excluding pension contributions) of:		
Highest paid director	<u>94,259</u>	<u>11,682</u>

The company's contribution towards the defined contribution scheme on behalf of the highest paid director was £8,166 for the year.

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (*Continued*)

8 Taxation on profit on ordinary activities

	Year ended 31 December 1999 £	1 month ended 31 December 1998 £
UK corporation tax	896,806	47,259
Transfer from deferred taxation account	-	(193)
	<u>896,806</u>	<u>47,066</u>

9a Intangible assets

Group

	Negative goodwill £	Goodwill £	Development costs £	Licences £	Total £
<i>Cost</i>					
At 1 January 1999	(1,421,479)	1,183,507	533,812	357,407	653,247
Additions	-	4,136,391	201,401	51,058	4,388,850
Revaluation	-	(705,478)	-	-	(705,478)
	<u>(1,421,479)</u>	<u>4,614,420</u>	<u>735,213</u>	<u>408,465</u>	<u>4,336,619</u>
At 31 December 1999	(1,421,479)	4,614,420	735,213	408,465	4,336,619
<i>Amortisation</i>					
At 1 January 1999	-	156,018	197,432	51,058	404,508
Provision for year	(71,074)	156,018	170,832	51,058	306,834
	<u>(71,074)</u>	<u>312,036</u>	<u>368,264</u>	<u>102,116</u>	<u>711,342</u>
At 31 December 1999	(71,074)	312,036	368,264	102,116	711,342
<i>Net book value</i>					
At 31 December 1999	<u>(1,350,405)</u>	<u>4,302,384</u>	<u>366,949</u>	<u>306,349</u>	<u>3,625,277</u>
At 31 December 1998	<u>(1,421,479)</u>	<u>1,027,489</u>	<u>336,380</u>	<u>306,349</u>	<u>248,739</u>

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

9b Tangible assets

Group	Freehold buildings £	Short term lease £	Computer equipment £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
<i>Cost</i>						
At 1 January 1999	152,500	1,505,042	1,671,715	1,031,774	514,135	4,875,166
Additions	-	222,119	619,293	51,212	169,785	1,062,409
Disposals	-	(11,388)	(3,052)	-	(78,790)	(93,230)
At 31 December 1999	152,500	1,715,773	2,287,956	1,082,986	605,130	5,844,345
<i>Depreciation</i>						
At 1 January 1999	23,383	471,906	1,189,106	853,020	232,733	2,770,148
Provided for the year	6,100	178,507	319,903	66,192	104,437	675,139
Disposals	-	-	(1,153)	-	(60,998)	(62,151)
At 31 December 1999	29,483	650,413	1,507,856	919,212	276,172	3,383,136
<i>Net book value</i>						
At 31 December 1999	123,017	1,065,360	780,100	163,774	328,958	2,461,209
At 31 December 1998	129,117	1,033,136	482,609	178,754	281,402	2,105,018

The net book value of tangible fixed assets includes an amount of £162,946 (1998 - £249,188) in respect of assets held under finance leases and hire purchase contracts.

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

10 Fixed asset investments - Company

£

Shares in subsidiary undertakings at cost

At 1 January 1999 and at 31 December 1999

256,344

The following were subsidiary undertakings at the end of the year and have been included in the consolidated accounts. All companies are registered in Great Britain except for Henry Schein (Ireland) Limited which is registered in Ireland. Investments are valued at cost as they do not have an easily discernable market value.

Name	Proportion of voting rights and ordinary share capital held	Nature of business
Henry Schein UK Holdings Limited	100%	Holding company
* BDG UK Holdings Limited	100%	Dormant
* Kent Dental Limited	100%	Dormant
* Henry Schein Rexodent Limited	100%	Supplier of dental consumables
* Ethicare Limited	100%	Dormant
* Budget Dental Supplies Limited	100%	Supplier of dental consumables
* Blackwell Supplies Limited	100%	Supplier of anaesthetics
* Dental Express (Supplies) Limited	100%	Dormant
* Inter-Dental Equipment Limited	100%	Dormant
* Zahn Dental Supplies Limited	66.67%	Supplier of dental consumables
* Quayle Dental Manufacturing Limited	100%	Supplier of dental consumables and equipment
* Henry Schein KM Limited	52.5%	Supplier of dental consumables and equipment
* Henry Schein (Ireland) Limited	52.5%	Supplier of dental consumables and equipment
* Henry Schein Technologies Limited	100%	Supplier of dental computer systems
* Clockwork Systems Limited	100%	Dormant
* BA International Limited	75%	Sale and repair of dental hand pieces and related products
* BA (Deutschland) Limited	75%	Sale and repair of dental hand pieces and related products
* BA (Belgie) Limited	75%	Dormant
* Henry Schein Technologies (Ireland) Limited	55%	Suppliers of dental computer systems
* B A Dental Europa SA	38.25%	Sale and repair of dental hand pieces and related products
* Civilscene Limited	51%	Dormant
* Specorder Limited	51%	Dormant
* Dental Systems Design Limited	100%	Dormant
* Kent Express Limited	100%	Supplier of dental consumables
* Porter Nash Limited	51%	Supplier of clinical and medical equipment

* indirectly held

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

11 Acquisitions

a) Acquisition of Procure business

On 6 March 1999 Rexodent Limited acquired the business of Procure Limited, a dental supplier, for £4,321,850.

The goodwill arising on the acquisition is calculated as follows:

	£
Cash consideration (including expenses of £101,695)	4,423,545
Fair value of net assets acquired	4,321,850
	<hr/>
	101,695
	<hr/>

The assets acquired are stated below, with their fair value being the same as their book value

	£
Fixed assets	
Tangible	534,764
Current assets	
Stocks	2,304,511
Debtors	2,401,374
Cash	8,743
	<hr/>
Total assets	5,249,392
Creditors	(927,542)
	<hr/>
Net assets	4,321,850
	<hr/>

Procure made a consolidated loss of £(98,100) (turnover £2,543,200; operating loss £(99,400)) in the period from 1 January 1999 to 6 March 1999. No taxation was payable in this period or in the period from acquisition to 31 December 1999. There were no recognised gains or losses other than those included in the profit and loss for these periods. Its loss after taxation for the year ended 31 December 1998 was (£446,300).

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 *(Continued)*

11 Acquisitions *(Continued)*

b) Acquisition of Porter Nash Limited

On 1 January 1999 the group purchased a 51% holding in Porter Nash Limited through the acquisition of 51% holdings in Specorder Limited and Civilscene Limited which are dormant holding companies. Porter Nash is a supplier of clinical and medical equipment, and the group paid £2,471,083 to acquire it.

The goodwill arising on the acquisition is calculated as follows:

	£
Cash consideration (including expenses of £84,734)	2,555,787
Fair value of net assets acquired	135,443
	<hr/>
	2,420,344
	<hr/>

The assets acquired are stated below, with their fair value being the same as their book value

	£
Fixed assets	
Tangible	162,874
Current assets	
Stocks	441,703
Debtors	663,822
Cash	207,778
	<hr/>
Total assets	1,476,177
Creditors	(1,210,603)
	<hr/>
Net assets	265,574
	<hr/>

There were no recognised gains or losses other than those included in the profit and loss account. Its profit after taxation for the year ended 31 December 1998 was £265,341.

HENRY SCHEIN UK FINANCE LIMITEDNotes forming part of the financial statements for the year ended 31 December 1999 *(Continued)***12 Stocks**

	1999		1998	
	Group £	Company £	Group £	Company £
Finished goods and goods for resale	9,781,485	-	9,166,838	-

The directors do not consider the replacement value of stocks to be materially different from the above.

13 Debtors

	1999		1998	
	Group £	Company £	Group £	Company £
Trade debtors	10,927,900	-	9,466,682	-
Amounts owed by group undertakings	18,003,532	11,150,002	16,665,307	2
Other debtors	1,555,952	499,750	649,726	-
Prepayments and accrued income	870,333	-	264,180	-
	31,357,717	11,649,752	27,045,895	2

All amounts shown under debtors fall due for payment within one year.

14 Creditors: amounts falling due within one year

	1999		1998	
	Group £	Company £	Group £	Company £
Bank loans and overdraft (secured)	12,255,928	-	7,645,037	-
Trade creditors	6,923,158	-	6,539,046	-
Amounts owed to parent and subsidiary undertakings	19,761,650	3,154,421	16,572,707	-
Corporation tax	700,262	-	592,287	-
Obligations under finance leases and hire purchase contracts	113,902	-	133,697	-
Social security and other taxes	232,307	-	806,513	-
Proposed dividends	328,809	-	-	-
Accruals and deferred income	3,621,997	-	2,525,340	-
Other creditors	1,319,665	-	123,294	-
	45,257,678	3,154,421	34,937,921	-

The bank overdraft is secured by a fixed and floating charge over the assets of the group.

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 *(Continued)*

15 Creditors: amounts falling due after more than one year

	1999		1998	
	Group £	Company £	Group £	Company £
Bank loans (secured)	577,642	-	820,498	-
Amounts owed to parent undertaking	11,267,648	9,150,000	6,852,341	-
Obligations under finance leases and hire purchase contracts	39,370	-	115,036	-
Other creditors	-	-	226,941	-
	<u>11,884,660</u>	<u>9,150,000</u>	<u>8,014,816</u>	<u>-</u>

Bank loans are repayable as follows:

Within 1-2 years	144,411	-	210,410	-
Within 2-5 years	433,231	-	600,088	-
After 5 years	-	-	10,000	-
	<u>577,642</u>	<u>-</u>	<u>820,498</u>	<u>-</u>

All amounts are repayable in instalments and are secured by a fixed and floating charge over the assets of the group.

Interest is payable at a rate between 1¼%-2% above the Royal Bank of Scotland base rate, subject to a minimum rate of 5.75%.

16 Deferred taxation

	1999		1998	
	Unprovided £	Provided in accounts £	Unprovided £	Provided in accounts £
Group				
Accelerated capital allowances	76,393	-	5,320	13,456
	<u>76,393</u>	<u>-</u>	<u>5,320</u>	<u>13,456</u>

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

17 Share capital

	1999 £	1998 £
<i>Authorised, allotted, issued and fully paid</i>		
'A' Ordinary shares of £1 each	140,966	140,966
'B' Ordinary shares of £1 each	115,380	115,380
	<hr/>	<hr/>
	256,346	256,346
	<hr/>	<hr/>

The rights of the shares are pari passu except that each share confers the holders to appoint 'A' and 'B' directors respectively.

18 Reserves

	Profit and loss account £
Group	
At 1 January 1999	55,553
Loss for the year	(2,054,462)
Exchange gain	5,312
	<hr/>
At 31 December 1999	(1,993,597)
	<hr/>
Company	
At 1 January 1999	-
Loss for the year	(634,421)
	<hr/>
At 31 December 1999	(634,421)
	<hr/>

The cumulative goodwill which has been eliminated against reserves is £2,987,926 (1998 - £3,272,037).

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not included in these financial statements. The amount of the distributable loss for the year dealt with in the financial statements of the parent company is £(634,421) (1998 - £Nil).

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 *(Continued)*

19 Reconciliation of movements in shareholders' funds

	1999		1998	
	Group £	Company £	Group £	Company £
(Loss)/profit for the year	(2,054,462)	(634,421)	55,553	-
Translation difference on foreign currency net investments in subsidiary undertakings	5,312	-	-	-
Share capital issued in year	-	-	256,346	256,346
	<hr/>	<hr/>	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(2,049,150)	(634,421)	311,899	-
Opening shareholders' funds	311,899	256,346	-	256,346
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	(1,737,251)	(378,075)	311,899	256,346
	<hr/>	<hr/>	<hr/>	<hr/>

20 Commitments under operating leases

As at 31 December 1999, the company had annual commitments under non-cancellable operating leases as set out below:

	1999		1998	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	19,800	-	313,472	251,903
Two to five years	38,150	11,222	1,366,980	155,862
Over five years	490,150	-	1,294,845	-
	<hr/>	<hr/>	<hr/>	<hr/>
	548,100	11,222	2,975,297	407,765
	<hr/>	<hr/>	<hr/>	<hr/>

HENRY SCHEIN UK FINANCE LIMITEDNotes forming part of the financial statements for the year ended 31 December 1999 *(Continued)*

21 Reconciliation of operating profit to net cash inflow from operating activities		£
Operating profit		2,065,745
Depreciation and amortisation		981,973
Loss/(profit) on disposal of tangible fixed assets		8,627
Decrease/(increase) in stocks		2,131,568
(Increase) in debtors		(859,714)
Increase in creditors		7,137,345
Impairment of goodwill		705,478
		<hr/>
Net cash inflow from operating activities		12,171,022
		<hr/>
22 Reconciliation of net cash outflow to movement in net debt		£
	£	£
Decrease in cash in the year	(832,244)	
Cash outflow from decrease in debt and lease financing	193,906	
	<hr/>	
Change in net debt resulting from cash flows		(638,338)
Finance leases acquired during the year		-
Exchange gains		5,312
		<hr/>
Movement in debt in the year		(633,026)
Opening net debt		(3,360,560)
		<hr/>
Closing net debt		(3,993,586)
		<hr/>

HENRY SCHEIN UK FINANCE LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (Continued)

23 Analysis of net debt shown in the balance sheet

	At 1 January 1999 £	Cash flow £	Other non-cash changes £	At 31 December 1999 £
Cash in hand and at bank	5,353,708	3,634,236	5,312	8,993,256
Overdrafts	(7,645,037)	(4,466,480)	-	(12,111,517)
	(2,291,329)	(832,244)	5,312	(3,118,261)
Debt due within 1 year	-	98,445	(242,856)	(144,411)
Debt due after 1 year	(820,498)	-	242,856	(577,642)
Finance leases	(248,733)	95,461	-	(153,272)
	(1,069,231)	193,906	-	(875,325)
Total	(3,360,560)	(638,338)	5,312	(3,993,586)

24 Pensions

The group maintains two pension schemes. One scheme, which operates on a defined contribution money purchase basis, provides for the payment of the full contribution by the group. The assets of the scheme are held separately from those of the group in an independently administered fund.

The group also makes contributions to personal pension schemes for employees.

25 Related party transactions

During the year, the company made a loan of £9,150,000 to Henry Schein UK Holdings, its 100% subsidiary company, all of which was still due at 31 December 1999.

26 Ultimate parent undertaking

Henry Schein Incorporated, incorporated and registered in the USA, is regarded by the directors as being the company's ultimate parent undertaking.

Henry Schein Incorporated is the largest group of which Henry Schein UK Finance Limited is a member and for which group accounts are drawn up.