

**THE DENCARE MANAGEMENT**  
**GROUP LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2000**

**CONTENTS**

	<b><u>Page</u></b>
Chairman's Statement	1 - 2
Report of the Directors	3 - 5
Report of the Auditors to the Shareholders	6
Consolidated Profit and Loss Account	7
Balance Sheets	8
Consolidated Cash Flow Statement	9
Notes to the Financial Statements	10 - 20

**W H PAYNE & CO**  
**CHARTERED ACCOUNTANTS**  
**SANDRINGHAM HOUSE**  
**199 SOUTHWARK BRIDGE ROAD**  
**LONDON SE1 OHA**

The Company's Incorporation No. is 2848490



## **CHAIRMAN'S STATEMENT**

### **FOR THE YEAR ENDED 31ST MARCH 2000**

In the past year, the Group has continued its major practice expansion programme resulting in the completion of a further thirteen acquisitions. Further, and as anticipated in the half-year statement, the Group has successfully completed a major fundraising exercise, and this will enable it to continue to expand its practice network significantly in the forthcoming year. Indeed, since the year-end, the Group has already completed a further six acquisitions, to give it a current portfolio of thirty practices. To have almost trebled in size in just over fifteen months represents a tremendous achievement for the Group. We anticipate an even faster pace of activity in the coming financial year.

#### **Results for the year**

The improvements in turnover identified in the half-year statement have been confirmed in the full year results. Accordingly, 2000 saw turnover increase by 76% to £9,706,000 (1999 - £5,508,000) a similar rate of growth as last year. Of that increase, £946,000 came from continuing operations with the balance of £3,252,000 from the thirteen acquisitions this year.

The improvements in operating margins seen at the half-year have also been confirmed with an improvement from 11.9% to 13.7% over the full-year. This reflects our continuing achievement of improvements in practice efficiency and quality of patient service.

Operating loss before amortisation of goodwill fell by 30% in the year to £160,000 from £229,000 in 1999. The significant improvement in practice operating profit of £672,000 to £1,330,000 (up by 102% from £658,000) was offset by an increase in administrative expenses of £603,000 (up 67% to £1,490,000). This increase has arisen principally from the significant costs incurred in the development of the Company's leading edge information systems as indicated in the half-year statement. We anticipate that these developments will be completed over the next year and will give the Group a further significant competitive advantage. *We are confident that the Group has a sufficient infrastructure to allow it to continue with its rapid growth plans.* Head Office costs are now being covered by practice operating profit on a monthly basis.

#### **Acquisitions in the year and other developments**

During the year, the Group has acquired thirteen practices. All of these practices have been successfully integrated into the Group and all are trading profitably in accordance with our expectations before acquisition.

Since the year-end, the Group has acquired six further practices. Again, all six practices have been successfully integrated into the Group.

The Group has also continued its development of Centres of Excellence within its practice network to support the expansion of the Dental Implant service. *It is anticipated that ten centres will be operating by December 2000.* In addition, we are pleased to announce that Dr David Harris of Trinity College, Dublin, the world renowned implant surgeon has joined the Dencare Clinical Governance Team to work with Peter Ward, Dencare's Clinical Director, to lead the development of our clinical protocols and standards. Our commitment to quality is absolute and our ability to attract such an important world figure bears testament to that.

The Group has also continued to develop its corporate service contracts at its City of London practice.

#### **Disposals in the period**

There were no disposals in the period.

**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 2000**

**(continued)**

**Appointments**

As noted in the half-year statement, we are delighted to welcome Peter Ward, who joined the Group during the year, as a full-time Clinical Director. Since his arrival, Peter has implemented a number of clinical quality improvement programmes, which will give the Group a significant competitive advantage.

**Fundraising**

As anticipated in the half-year statement, I am very pleased to report that the Company concluded negotiations with Advent VCT Plc, British Linen Securities Limited, BancBoston Capital Limited and the Bank of Scotland, who have provided further equity capital of £3,000,000 and further loan finance of £7,000,000. The exercise was completed on 27<sup>th</sup> March 2000.

**Significant litigation**

In April 2000, Dencare Management Limited, the Group's principal operating company, instituted proceedings in the High Court against Dr Stephen Marsh-Smith, the former Practice Owner of the Richmond Hill, Bristol practice, claiming injunctive relief and damages for alleged breaches of contract by Dr Marsh-Smith in respect of agreements entered into in June 1995. In particular, the Company alleged that Dr Marsh-Smith had acted in breach of various binding-out clauses in his service contract. On 18<sup>th</sup> July 2000, following a full hearing at the High Court, the Company was awarded judgment against Dr Marsh-Smith and was granted the injunctive relief it sought together with damages and costs.

**Future plans**

*Interest in the Group remains at an extremely high level. Our rate of acquisition activity is accelerating. Supported by the funds recently raised and our management infrastructure developed over the past year, we are able to achieve even greater growth than that seen in the last two years. We therefore anticipate significant improvement in all aspects of the Group's results.*

I would like to thank all those employed by or associated with Dencare for their hard work over the past year. I look forward to next year with great confidence.



**David Phillips OBE**  
**Chairman**

**28th July 2000**

**REPORT OF THE DIRECTORS OF**  
**THE DENCARE MANAGEMENT GROUP LIMITED**

The directors present their annual report and audited financial statements of the group for the year ended 31st March 2000.

**Principal activities and business review**

The principal activity of the group is dentistry. The Dencare Management Group Limited is the parent company of subsidiary undertakings. A review of the business appears in the Chairman's statement on pages 1 and 2.

**Directors and their interests**

The directors who have held office during the year and their beneficial interests in the shares of the company are as follows:-

<b><u>Directors</u></b>	<b><u>'A' Ordinary £1 Shares 31.3.00</u></b>	<b><u>'B' Ordinary 10p Shares 31.3.00</u></b>	<b><u>'A' Ordinary £1 Shares 31.3.99</u></b>	<b><u>'B' Ordinary 10p Shares 31.3.99</u></b>
P.J. Blacklock	-	11,573	-	10,416
P.R. Davies	-	-	-	-
T.P. Desoutter	75,000	50,732	75,000	39,361
J.M.F. Dibben (Died 4.5.99)	-	-	45,000	30,000
D.A. Phillips	-	30,000	-	-
P. Ward (appointed 9.6.00)	-	-	-	-
J.C. Wood	-	7,676	-	6,944
		<b><u>'B' Ordinary 10p shares 31.3.00</u></b>		<b><u>'B' Ordinary 10p shares 31.3.99</u></b>
<b><u>Directors share options</u></b>				
P.J. Blacklock		54,233		54,233
T.P. Desoutter		54,233		54,233
J.C. Wood		54,233		54,233

The options were issued in February 1999 and can be exercised at a price of £1.44 per share. Subject to the performance of the company the number of shares on which the options can be exercised may be reduced.

The options may not be exercised sooner than the earlier of:-

- Immediately prior to the whole of the issued share capital of the company for the time being being admitted to any recognised stock exchange.
- Immediately prior to a person or persons obtaining control of the company.
- The sale by the company of the whole or a substantial part of its business.

**REPORT OF THE DIRECTORS OF**  
**THE DENCARE MANAGEMENT GROUP LIMITED**

**(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 for that period. 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 group and which 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Dividends proposed and transfers to reserves**

Payment of a dividend is not recommended. The retained loss for the year of £736,724 has been transferred to the accumulated deficit.

**Payment of creditors**

The Companies Act 1985, as amended, requires the company to make a statement of its policy and practice on the payment of creditors.

It is and will continue to be the policy of the company to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement and, having agreed those terms, to abide by them.

The total amount of trade creditors falling due within one year at 31st March 2000 represents 22 days' (1999 - 22 days') worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

**The Year 2000**

The directors are pleased to report that the company experienced no adverse effects from the rollover to Year 2000. They are continuing to take steps to ensure that all relevant systems and equipment remain free from any Year 2000 problems. Costs, which are not expected to be significant, are being expensed as incurred.

**Post balance sheet events**

Since the year end the group has acquired the goodwill and tangible fixed assets of a further six dental practices for a total consideration of £1,595,025.

**REPORT OF THE DIRECTORS OF**  
**THE DENCARE MANAGEMENT GROUP LIMITED**  
**(continued)**

**Auditors**

A resolution to re-appoint W.H. Payne & Co. as auditors of the company will be submitted to the annual general meeting.

**BY ORDER OF THE BOARD**



P.J. Blacklock  
Company Secretary

Sandringham House,  
199 Southwark Bridge Road,  
London, SE1 0HA.

28th July 2000

**AUDITORS' REPORT**  
**TO THE SHAREHOLDERS OF**  
**THE DENCARE MANAGEMENT GROUP LIMITED**

We have audited the financial statements on pages 7 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

**Respective responsibilities of directors and auditors**

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 group'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 affairs of the company and of the group as at 31st March 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



W H Payne & Co.,  
Chartered Accountants  
and Registered Auditor,  
Sandringham House,  
199 Southwark Bridge Road,  
London, SE1 0HA

28th July 2000

**THE DENCARE MANAGEMENT GROUP LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT      FOR THE YEAR ENDED 31ST MARCH 2000**

	<u>Note</u>	<u>Continuing operations 2000</u>	<u>Acquisitions 2000</u>	<u>2000</u>	<u>Continuing operations 1999</u>
<b>Turnover</b>	<b>(2)</b>	<b>6,453,771</b>	<b>3,252,571</b>	<b>9,706,342</b>	<b>5,508,322</b>
Cost of sales		<u>(5,576,157)</u>	<u>(2,799,869)</u>	<u>(8,376,026)</u>	<u>(4,850,120)</u>
<b>Gross profit</b>		<b>877,614</b>	<b>452,702</b>	<b>1,330,316</b>	<b>658,202</b>
Administrative expenses		<u>(1,019,798)</u>	<u>(471,050)</u>	<u>(1,490,848)</u>	<u>(887,368)</u>
<b>Operating (loss) before amortisation of goodwill</b>		<b>(142,184)</b>	<b>(18,348)</b>	<b>(160,532)</b>	<b>(229,166)</b>
Amortisation of goodwill		<u>(88,165)</u>	<u>(62,568)</u>	<u>(150,733)</u>	<u>(80,840)</u>
Exceptional item: - cost of aborted acquisition		<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,981)</u>
<b>Operating (loss)</b>		<b>£(230,349)</b>	<b>£(80,916)</b>	<b>(311,265)</b>	<b>(326,987)</b>
Interest receivable and similar income	<b>(3)</b>			<b>37,963</b>	<b>13,846</b>
Interest payable and similar charges	<b>(4)</b>			<b>(463,422)</b>	<b>(260,390)</b>
<b>(Loss) on ordinary activities before taxation</b>	<b>(7)</b>			<b>(736,724)</b>	<b>(573,531)</b>
Tax on (loss) on ordinary activities	<b>(8)</b>			<b>-</b>	<b>-</b>
<b>Retained (loss) for the year</b>				<b>(736,724)</b>	<b>(573,531)</b>
(Accumulated deficit) at beginning of year				<b>(1,756,422)</b>	<b>(1,182,891)</b>
<b>(Accumulated deficit) at end of year</b>				<b>£(2,493,146)</b>	<b>£(1,756,422)</b>

**Total recognised gains and losses**

The group has no recognised gains or losses other than the profit and loss for the above two periods.

The accompanying notes are an integral part of this profit and loss account.



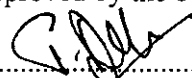

**THE DENCARE MANAGEMENT GROUP LIMITED**

**BALANCE SHEETS**

**31ST MARCH 2000**

	<u>Note</u>	<u>Group 2000</u>	<u>Group 1999</u>	<u>Company 2000</u>	<u>Company 1999</u>
<b><u>Fixed assets</u></b>					
Intangible assets	(10)	5,095,350	1,600,531	-	-
Tangible assets	(11)	2,537,268	1,305,067	-	-
Investments in subsidiary undertakings	(12)	-	-	3,035,415	3,035,415
		<hr/>	<hr/>	<hr/>	<hr/>
		7,632,618	2,905,598	3,035,415	3,035,415
		<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Current assets</u></b>					
Stocks	(13)	375,491	184,050	-	-
Debtors	(14)	827,528	328,997	6,213,461	1,470,738
Cash at bank and in hand		4,301,426	2,483,658	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		5,504,445	2,996,705	6,213,461	1,470,738
<b>Creditors:</b> amounts falling due within one year	(15)	(2,943,745)	(1,690,618)	(4,000)	(26,362)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current assets</b>		2,560,700	1,306,087	6,209,461	1,444,376
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		10,193,318	4,211,685	9,244,876	4,479,791
<b>Creditors:</b> amounts falling due after more than one year	(16)	(6,622,896)	(2,762,727)	(3,336,000)	(1,340,000)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>		£3,570,422	£1,448,958	£5,908,876	£3,139,791
		<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Capital and reserves</u></b>					
Called up share capital	(17)	481,108	406,340	481,108	406,340
Share premium account	(19)	5,582,460	2,799,040	5,582,460	2,799,040
Accumulated deficit		(2,493,146)	(1,756,422)	(154,692)	(65,589)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Shareholders' funds</b>	(20)	£3,570,422	£1,448,958	£5,908,876	£3,139,791
		<hr/>	<hr/>	<hr/>	<hr/>

Approved by the board of directors on 28th July 2000.

  
 ..... T.P. Desoutter  
  
 ..... P.J. Blacklock

The accompanying notes are an integral part of these balance sheets.

**THE DENCARE MANAGEMENT GROUP LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT      FOR THE YEAR ENDED 31ST MARCH 2000**

	<u>Note</u>	<u>2000</u>	<u>1999</u>
<b>Cash inflow/(outflow) from operating activities</b>	<b>(21a)</b>	<b>188,697</b>	<b>(48,016)</b>
Returns on investments and servicing of finance	(21b)	(426,641)	(288,813)
Capital expenditure and financial investment	(21b)	(5,093,385)	(783,240)
Cash (outflow) before financing		(5,331,329)	(1,120,069)
<b>Financing</b>			
- Issue of shares	(21b)	2,858,188	1,630,216
- Increase in debt		4,166,957	1,313,825
		<u>7,025,145</u>	<u>2,944,041</u>
<b>Increase in cash in the year</b>		<b>£1,693,816</b>	<b>£1,823,972</b>

**Reconciliation of net cash flow to movement in net debt**

Increase in cash in the year	1,693,816	1,823,972
Cash inflow from increase in debt and lease financing	(4,166,957)	(1,313,825)
	<u>(2,473,141)</u>	<u>510,147</u>
New finance leases	(265,603)	(162,545)
Movement in net debt in the year	(2,738,744)	347,602
Net debt at beginning of year	(974,013)	(1,321,615)
<b>Net debt at end of year</b>	<b>(21c)</b>	<b>£(974,013)</b>

The accompanying notes are an integral part of this statement.

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31ST MARCH 2000**

**1. Accounting policies**

The principal accounting policies, which have been consistently applied, are:-

**(a) Basis of accounting**

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

**(b) Principles of consolidation**

The group's financial statements consolidate those of the company and all of its subsidiary undertakings for the year ended 31st March 2000. The results of its subsidiaries acquired or disposed of during the period are included in the group's profit and loss account from the date of acquisition or up to the date of their disposal.

Goodwill arising on consolidation is amortised over a period of 20 years, which is considered to be the useful economic life of the goodwill.

**(c) Intangible fixed assets**

Goodwill, arising from the purchase of subsidiary undertakings or the purchase of business and assets of dental practices, representing the excess of the purchase consideration over the fair value of the net assets acquired, is written off over twenty years following acquisition in the group profit and loss account which is considered to be the useful economic life of the goodwill. If a company or dental practice is subsequently divested, the appropriate goodwill is dealt with through the group profit and loss account in the period of disposal as part of the calculation of the gain or loss on disposal. Costs associated with acquisitions are capitalised as part of the goodwill.

Trade Marks acquired are written off over ten years following acquisition in the group profit and loss account which is considered to be their useful economic life.

**(d) Tangible fixed assets**

Tangible fixed assets are stated at original historical cost less aggregate depreciation.

Depreciation is provided at rates calculated to write-off the cost less estimated residual value of each asset on a straight line basis over its estimated useful life as follows:-

Freehold property	2% per annum
Motor vehicles	25% per annum
Fixtures and fittings	15% per annum
Computer equipment	20% per annum

Freehold property is not depreciated until brought into use.

Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the improvements.

**(e) Investments in subsidiary undertakings**

In the company's accounts, investments in subsidiary undertakings are stated at cost.

**(f) Stocks**

Dental materials on hand are valued at the lower of cost and net realisable value after making allowance for obsolete items.

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**      **FOR THE YEAR ENDED 31ST MARCH 2000**

**1. Accounting policies - (continued)**

**(g) Taxation**

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes.

**(h) Turnover**

Turnover represents total work done.

**(i) Leased assets**

Fixed assets acquired under finance leases and hire purchase contracts are stated at their fair value at the date of acquisition, with an equivalent liability categorised as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance.

Rentals applicable to operating leases are recognised in the profit and loss account as incurred.

**2. Turnover**

The turnover and operating loss are attributable to the principal activity of the group.

<b>3. <u>Interest receivable and similar income</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
Interest receivable on bank deposits	<b>£37,963</b>	£13,846
	<hr/>	<hr/>
<b>4. <u>Interest payable and similar charges</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
Interest element of goodwill payments	-	4,525
Finance lease and hire purchase interest:		
- repayable within five years	<b>66,269</b>	56,173
Bank loan and overdraft interest	<b>202,453</b>	133,258
Interest on other loans	<b>194,700</b>	66,434
	<hr/>	<hr/>
	<b>£463,422</b>	£260,390
	<hr/>	<hr/>

**5. Employees**

Average monthly number of people (including directors) employed by the group during the year:-	<b><u>No. of employees</u></b>	
	<b><u>2000</u></b>	<b><u>1999</u></b>
Dentistry	<b>165</b>	99
Administration	<b>27</b>	26
	<hr/>	<hr/>
	<b>192</b>	125
	<hr/>	<hr/>

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 2000**

**5. Employees - (continued)**

<b>Costs in respect of these employees:-</b>	<b><u>2000</u></b>	<b><u>1999</u></b>
Wages and salaries	1,911,191	1,185,169
Social security costs	181,516	88,146
	<hr/>	<hr/>
	2,092,707	£1,273,315
	<hr/>	<hr/>

**6. Directors' emoluments**

	<b><u>2000</u></b>	<b><u>1999</u></b>
	<b>£</b>	<b>£</b>
Aggregate emoluments	323,424	254,360
The emoluments of the highest paid director	119,400	78,650
	<hr/>	<hr/>

**7. (Loss) on ordinary activities before taxation**

	<b><u>2000</u></b>	<b><u>1999</u></b>
(Loss) on ordinary activities before taxation is arrived at, after charging:-	<b>£</b>	<b>£</b>
Amortisation of goodwill	150,733	80,840
Depreciation of tangible fixed assets	304,321	186,323
Loss on disposal of tangible fixed assets	4,992	11,724
Directors' remuneration (including benefits in kind)	323,424	254,360
Auditors' remuneration	26,295	26,437
Other services provided by auditors	11,456	-
Operating lease rentals - property	270,059	151,552
- other	18,224	12,434
	<hr/>	<hr/>

**8. Tax on (loss) on ordinary activities**

No provision for corporation tax is made due to the availability of trading losses. At the year end there were corporation tax losses of approximately £2,150,000 (1999 - £(1,650,000)) available in the group for set-off against future assessable profits.

**9. Retained (loss) for the year**

The retained (loss) of the company for the year was £(89,103) (1999 - £(38,960)).

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company is not included as part of these accounts.

**FOR THE YEAR ENDED 31ST MARCH 2000**

**Group**

	<b>Consolidated goodwill</b>	<b>Purchased goodwill</b>	<b>Trade- Marks</b>	<b>Total</b>
<b>Cost</b>				
At beginning of year	33,109	1,730,682	-	1,763,791
Additions	-	3,625,552	20,000	3,645,552
At end of year	33,109	5,356,234	20,000	5,409,343
<b>Amortisation</b>				
At beginning of year	8,690	154,570	-	163,260
Charge for year	1,655	149,078	-	150,733
At end of year	10,345	303,648	-	313,993
<b>Net book value</b>				
At end of year	<b>£22,764</b>	<b>£5,052,586</b>	<b>£20,000</b>	<b>£5,095,350</b>
At beginning of year	£24,419	£1,576,112	£-	£1,600,531

## Group

	<b>Freehold property</b>	<b>Leasehold improvements</b>	<b>Motor vehicles</b>	<b>Fixtures and fittings</b>	<b>Computer equipment</b>	<b>Total</b>
<b>Cost</b>						
At beginning of year	-	394,494	-	1,016,566	257,009	1,668,069
Additions	265,000	119,532	31,733	1,068,676	317,325	1,802,266
Disposals	(265,000)	-	-	(5,373)	(2,009)	(272,382)
At end of year	-	514,026	31,733	2,079,869	572,325	3,197,953
<b>Depreciation</b>						
At beginning of year	-	20,356	-	259,066	83,580	363,002
Charge for the year	442	23,304	5,704	215,770	59,101	304,321
Disposals	(442)	-	-	(4,212)	(1,984)	(6,638)
At end of year	-	43,660	5,704	470,624	140,697	660,685
<b>Net book value</b>						
At end of year	£-	£470,366	£26,029	£1,609,245	£431,628	£2,537,268
At beginning of year	£-	£374,138	£-	£757,500	£173,429	£1,305,067

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**      **FOR THE YEAR ENDED 31ST MARCH 2000**

**11. Tangible fixed assets - (continued)**

Included within fixed assets are assets held under finance leases and hire purchase contracts with a net book value of £650,000 (1999 - £497,771). Depreciation allocated to these assets during the year amounted to £115,000 (1999 - £99,448).

**12. Investments in subsidiary undertakings**

	<b><u>Company</u></b> <b><u>2000</u></b>	<b><u>Company</u></b> <b><u>1999</u></b>
<b>Cost</b>		
At beginning of year	3,035,415	1,535,415
Additions	-	1,500,000
	<hr/>	<hr/>
At end of year	<b>£3,035,415</b>	<b>£3,035,415</b>
	<hr/>	<hr/>

Subsidiary undertakings and the proportions of share capital, all being ordinary shares, held by The Dencare Management Group Limited are as follows:-

	<b><u>2000</u></b>	<b><u>1999</u></b>
Dencare Management Limited	100%	100%
Dencare Financial Services Limited (dormant)	100%	100%
Dencare Developments Limited (dormant)	100%	100%

All the above subsidiary undertakings are registered in England and Wales. The trading subsidiary undertaking supplies services as dentists.

<b>13. <u>Stocks</u></b>	<b><u>Group</u></b> <b><u>2000</u></b>	<b><u>Group</u></b> <b><u>1999</u></b>	<b><u>Company</u></b> <b><u>2000</u></b>	<b><u>Company</u></b> <b><u>1999</u></b>
Dental materials	£375,491	£184,050	£-	£-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>14. <u>Debtors</u></b>	<b><u>Group</u></b> <b><u>2000</u></b>	<b><u>Group</u></b> <b><u>1999</u></b>	<b><u>Company</u></b> <b><u>2000</u></b>	<b><u>Company</u></b> <b><u>1999</u></b>
Trade debtors	349,981	147,853	-	-
Amounts due from subsidiary undertakings	-	-	6,213,461	1,459,488
Other debtors	149,055	69,504	-	-
Prepayments and accrued income	328,492	111,640	-	11,250
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>£827,528</b>	<b>£328,997</b>	<b>£6,213,461</b>	<b>£1,470,738</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Other debtors includes an amount of £107,848 (1999 - £46,230) falling due after more than one year.

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**      **FOR THE YEAR ENDED 31ST MARCH 2000**

<b>15. Creditors: amounts falling due within one year</b>	<b>Group 2000</b>	<b>Group 1999</b>	<b>Company 2000</b>	<b>Company 1999</b>
Obligations under finance leases and hire purchase contracts	191,484	160,867	-	-
Bank loans and overdrafts secured (see - note 16)	1,198,692	607,462	-	-
Unsecured loan notes	4,000	-	4,000	-
Trade creditors	521,347	257,444	-	-
Other taxation and social security	100,782	33,850	-	-
Other creditors	180,873	82,877	-	14,517
Deferred consideration	54,940	171,560	-	-
Accruals and deferred income	691,627	376,558	-	11,845
	<u>£2,943,745</u>	<u>£1,690,618</u>	<u>£4,000</u>	<u>£26,362</u>

Deferred consideration of £32,500 (1999 - £64,285) is secured by a fixed charge over one of the leasehold properties.

<b>16. Creditors: amounts falling due after more than one year</b>	<b>Group 2000</b>	<b>Group 1999</b>	<b>Company 2000</b>	<b>Company 1999</b>
Obligations under finance leases and hire purchase contracts due:-				
- within two to five years	295,872	261,737	-	-
Bank loan (see below)	2,991,024	1,090,495	-	-
Deferred consideration	-	70,495	-	-
Unsecured loan notes	3,336,000	1,340,000	3,336,000	1,340,000
	<u>£6,622,896</u>	<u>£2,762,727</u>	<u>£3,336,000</u>	<u>£1,340,000</u>

	<b>Group 2000</b>	<b>Group 1999</b>
<b>Bank loans</b>		
Repayable by instalment		
- between one and two years	773,911	262,300
- between two and five years	2,086,678	742,095
- after five years	130,435	86,100
	<u>£2,991,024</u>	<u>£1,090,495</u>



**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 2000**

**16. Creditors: amounts falling due after more than one year - (continued)**

Repayment of the bank loans are by 20 equal quarterly instalments. Interest is charged at 2.5% per annum over the Bank of Scotland base rate.

Bank loans and overdrafts of £4,189,716 (1999 - £1,697,957) are secured by fixed and floating charges over the freehold and leasehold properties and all material assets of the company excluding prior charges.

<b>Unsecured loan notes</b>	<b><u>2000</u></b>	<b><u>1999</u></b>
<b>Repayable by instalments (interest at 15%)</b>		
- between one and two years	<b>184,000</b>	148,000
- between two and five years	<b>952,000</b>	764,000
- after five years	<b>-</b>	228,000
	<hr/>	<hr/>
	<b>£1,136,000</b>	<b>£1,140,000</b>
	<hr/>	<hr/>
<b>Repayable on 19th August 2001 (interest at 12½%)</b>		
- between one and two years	<b>200,000</b>	-
- between two and five years	<b>200,000</b>	200,000
	<hr/>	<hr/>
	<b>£400,000</b>	<b>£200,000</b>
	<hr/>	<hr/>
<b>Repayable on 31st March 2005 (interest at 15%)</b>		
- between two and five years	<b>£2,000,000</b>	£-
	<hr/>	<hr/>

**The loan notes repayable by instalments are due as follows:-**

31st March 2001	<b>4,000</b>	148,000
31st March 2002	<b>184,000</b>	148,000
31st March 2003	<b>184,000</b>	148,000
8th February 2004	<b>240,000</b>	240,000
31st March 2004	<b>264,000</b>	228,000
31st March 2005	<b>264,000</b>	228,000
	<hr/>	<hr/>
	<b>£1,140,000</b>	<b>£1,140,000</b>
	<hr/>	<hr/>

Deferred consideration falling due after more than one year of £- (1999 - £58,000) is secured by a fixed charge over the goodwill of one of the practices, and by a fixed charge over one of the leasehold properties.

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 2000**

17. <b><u>Called up share capital</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
<b>Authorised:</b>		
138,750 'A' Ordinary shares of £1 each	<b>138,750</b>	150,000
11,250 'B' Ordinary shares of £1 each	<b>11,250</b>	-
1,754,991 'B' Ordinary shares of 10p each	<b>175,499</b>	175,499
1,056,666 'C' Ordinary shares of 10p each	<b>105,667</b>	105,667
750,000 'D' Ordinary shares of 10p each	<b>75,000</b>	75,000
716,049 'E' Ordinary shares of 10p each	<b>71,605</b>	-
	<hr/>	<hr/>
	<b>£577,771</b>	<b>£506,166</b>
	<hr/>	<hr/>
<b>Allotted, called-up and fully paid:</b>		
138,750 'A' Ordinary shares of £1 each	<b>138,750</b>	150,000
11,250 'B' Ordinary shares of £1 each	<b>11,250</b>	-
788,364 'B' Ordinary shares of 10p each	<b>78,836</b>	75,673
1,056,666 'C' Ordinary shares of 10p each	<b>105,667</b>	105,667
750,000 'D' Ordinary shares of 10p each	<b>75,000</b>	75,000
716,049 'E' Ordinary shares of 10p each	<b>71,605</b>	-
	<hr/>	<hr/>
	<b>£481,108</b>	<b>£406,340</b>
	<hr/>	<hr/>

**During the year the company issued the following shares:-**

<b>Class</b>	<b>Number</b>	<b>Nominal</b>	<b>Consideration</b>
'B' Ordinary 10p Shares	31,637	£3,163	£110,000
'E' Ordinary 10p Shares	716,049	£71,605	£2,900,000

Subject to the performance of the company the number of shares on which the options can be exercised may be reduced.

11,250 of 'A' Ordinary £1 shares were converted into 11,250 'B' Ordinary £1 shares.

**Rights and principal features of each class of share**

A summary of the rights and principal features of each class of share would not adequately explain the commercial effect of the share instruments, particulars of which are included in the company's Articles of Association which are available from the company secretary at the Registered Office.

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**      **FOR THE YEAR ENDED 31ST MARCH 2000**

**18. Share options**

Details of options granted under the companies share option schemes and outstanding at 31st March 2000 were as follows:-

<b>Date options granted</b>	<b>Price</b>	<b>Number of options</b>	<b>'B' Ordinary shares of 10p</b>
1st April 1998	£1.75	9,741	9,741
8th February 1999	£1.44	162,699	162,699

The options granted on 1st April 1998 are exercisable in whole or in part between three and ten years from the date of the grant.

The options granted on 8th February 1999 may not exercised sooner than the earlier of:-

- Immediately prior to the whole of the issued share capital of the company for the time being being admitted to any recognised stock exchange.
- Immediately prior to a person or persons obtaining control of the company.
- The sale by the company of the whole or a substantial part of its business.

**19. Share premium account**

	<b><u>2000</u></b>	<b><u>1999</u></b>
At beginning of year	2,799,040	1,267,190
Premium on allotments and conversions	2,935,232	1,708,233
Expenses of share issue	(151,812)	(176,383)
	<hr/>	<hr/>
At end of year	<b>£5,582,460</b>	<b>£2,799,040</b>
	<hr/>	<hr/>

**20. Reconciliation of movements on shareholders' funds**

	<b><u>Group</u></b> <b><u>2000</u></b>	<b><u>Group</u></b> <b><u>1999</u></b>	<b><u>Company</u></b> <b><u>2000</u></b>	<b><u>Company</u></b> <b><u>1999</u></b>
(Loss) for the financial year after taxation	(736,724)	(573,531)	(89,103)	(38,960)
Share capital subscribed	74,768	98,366	74,768	98,366
Share premium received	2,783,420	1,531,850	2,783,420	1,531,850
	<hr/>	<hr/>	<hr/>	<hr/>
	2,121,464	1,056,685	2,769,085	1,591,256
Shareholders' funds at beginning of year	1,448,958	392,273	3,139,791	1,548,535
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at end of year	<b>£3,570,422</b>	<b>£1,448,958</b>	<b>£5,908,876</b>	<b>£3,139,791</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 2000**

**21. Consolidated cash flow statement**

		<b>2000</b>	<b>1999</b>
<b>(a) <u>Reconciliation of operating (loss) to operating cash flows</u></b>			
Operating (loss)		(311,265)	(326,987)
Depreciation of tangible fixed assets		304,321	186,323
Amortisation of goodwill		150,733	80,840
(Increase) in stocks		(191,441)	(70,669)
(Increase) in debtors		(497,271)	(134,155)
Increase in creditors		728,628	204,908
Loss on sale of tangible fixed assets		4,992	11,724
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>		<b>£188,697</b>	<b>£(48,016)</b>
		<hr/>	<hr/>
<b>(b) <u>Analysis of cash flows for headings netted in the cash flow statement</u></b>		<b>2000</b>	<b>1999</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		37,963	13,846
Interest paid		(394,390)	(239,747)
Interest element of finance lease and hire purchase contracts		(66,269)	(56,173)
Interest element of goodwill payments		(3,945)	(6,739)
		<hr/>	<hr/>
		<b>£(426,641)</b>	<b>£(288,813)</b>
		<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,571,820)	(324,307)
Purchase of intangible fixed assets		(3,793,565)	(684,281)
Sale of tangible fixed assets		272,000	225,348
		<hr/>	<hr/>
		<b>£(5,093,385)</b>	<b>£(783,240)</b>
		<hr/>	<hr/>
<b>Financing</b>			
Issue of ordinary share capital		74,768	127,866
Conversion of preference shares		-	(29,500)
Share premium received		2,935,232	1,708,233
Expenses in connection with share issue		(151,812)	(176,383)
		<hr/>	<hr/>
		<b>£2,858,188</b>	<b>£1,630,216</b>
		<hr/>	<hr/>
<b>Increase in debt</b>			
New unsecured loans		2,000,000	1,140,000
New bank loans		2,544,007	430,500
Repayment of bank loans		(176,200)	(51,954)
Capital element of finance lease rental payments		(200,850)	(204,721)
		<hr/>	<hr/>
		<b>£4,166,957</b>	<b>£1,313,825</b>
		<hr/>	<hr/>

**THE DENCARE MANAGEMENT GROUP LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 2000**

**21. Consolidated cash flow statement - (continued)**

<b>(c) <u>Analysis of net debt</u></b>	<b><u>At beginning of year</u></b>	<b><u>Cash flows</u></b>	<b><u>Non cash changes</u></b>	<b><u>At end of year</u></b>
Cash at bank and in hand	2,483,658	1,817,768		4,301,426
Overdrafts	(431,262)	(123,952)		(555,214)
		<hr/>		
		1,693,816		
Debt due within one year	(176,200)	176,200	(647,478)	(647,478)
Debt due after one year	(2,430,495)	(4,544,007)	647,478	(6,327,024)
Finance leases	(419,714)	200,850	(265,603)	(484,467)
	<hr/>	<hr/>	<hr/>	<hr/>
	£(974,013)	£(2,473,141)	£(265,603)	£(3,712,757)
	<hr/>	<hr/>	<hr/>	<hr/>

**(d) Major non cash transactions**

During the year the group entered into finance lease arrangement in respect of assets with a total capital value at the inception of the lease of £265,603 (1999 - £162,545).

**22. Guarantees and other financial commitments**

<b>(a) <u>Capital commitments</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
At the end of the year, capital commitments were:-	£20,000	£493,000
	<hr/>	<hr/>
<b>(b) <u>Lease commitments</u></b>		
The minimum annual rentals under operating leases are as follows:-	<b><u>2000</u></b>	
	<b><u>Property</u></b>	<b><u>Other</u></b>
<b>Operating leases which expire:-</b>		
- within one year	-	1,117
- within one - two years	-	7,426
- within two - five years	128,250	20,553
- after five years	369,757	-
	<hr/>	<hr/>
	£498,007	£29,096
	<hr/>	<hr/>

**23. Post balance sheet events**

Since the year end the group has acquired the goodwill and tangible fixed assets of a further six dental practices for a total consideration of £1,595,025.