

THE DENCARE MANAGEMENT
GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2001

CONTENTS

	<u>Page</u>
Chairman's Statement	1 - 2
Report of the Directors	3 - 4
Report of the Auditors to the Shareholders	5
Consolidated Profit and Loss Account	6
Balance Sheets	7
Consolidated Cash Flow Statement	8
Notes to the Financial Statements	9 - 19



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 2001

In the past year, the Group has continued to expand its practice network with a further 8 practices joining the Group. The Group now has 32 practices under management. In addition, since the year-end, the Group has completed the acquisition of the Denticos Cosmetic Dental Studios, which operates 3 locations in Central London. Whilst our pace of acquisition activity has slowed during the past year, the Group is still pursuing a significant number of acquisition targets and hopes to bring several more practices into the Group in the current year.

Results for the year:

The results for the year were disappointing. The very active acquisition programme over the last 2 years is confirmed by a significant increase in turnover. Accordingly, turnover increased by 92% to £18,600,000 (2000 - £9,706,000). Of that increase, £5,184,000 came from continuing operations, with the balance of £3,710,000 coming from the 8 practices acquired.

The improvements in operating margins achieved last year reversed. We achieved an operating margin of 9.5% compared to 13.7% last year. This was disappointing and to rectify the situation we have established a significant number of changes in both operational structure and contractual relationships. Initial indicators are encouraging that we are starting to achieve the margins we saw last year.

Operating loss before amortisation of goodwill increased to £628,000 from £160,000 last year. The increase in practice operating profit of £430,000 to £1,760,000 was offset by an increase of £898,000 in administrative costs. This increase was principally driven by our information technology development costs and head office infrastructure. Most of this work is now completed and this year we have seen significant reductions in the head office spending to a stable and supportable level.

Acquisitions in the year and other developments:

During the year, the Group has acquired 8 practices, which have all been successfully integrated into the Group.

The Group has continued to develop its Centres of Excellence to support its Dental Implant service and now operates 10 centres as forecast last year.

Since the year-end, the Group has acquired the Denticos Cosmetic Dental Studio chain. It is trading profitably in excess of our expectations before acquisition. It is intended to develop several more sites in the UK and overseas over the next few years.

The Group has also continued to develop its corporate service contracts, not just in the City of London, but now nationally.

Disposals in the period:

There were no disposals in the period.

CHAIRMAN'S STATEMENT - continued
FOR THE YEAR ENDED 31ST MARCH 2001

Board appointments:

Jonathan Wood, the Group's Operations Director resigned his position on 31st May 2001 in order to re-join dental practice within the Group.

Tarquin Desoutter the Group's Managing Director and founder left the Group and ceased to be a director on 26th October 2001.

Alastair Ritchie was appointed a Non-Executive Director on 31st October 2001.

Future plans:

The Group will continue to acquire suitable practices to increase the size of its core business. In addition, it will develop its specialist services in Implants and Cosmetic dentistry to provide a greater width to its portfolio of dental services. Whilst the results for last year were disappointing, the changes in structure now in place will lead to the required improvements.

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



David Phillips OBE
Chairman

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 2001.

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:-

<u>Directors</u>	<u>'A' Ordinary £1 Shares 31.3.01</u>	<u>'B' Ordinary 10p Shares 31.3.01</u>	<u>'A' Ordinary £1 Shares 31.3.00</u>	<u>'B' Ordinary 10p Shares 31.3.00</u>
R.J. Abbott (appointed 25.8.00)	-	-	-	-
P.J. Blacklock	-	11,573	-	11,573
P.R. Davies	-	-	-	-
T.P. Desoutter	75,000	50,732	75,000	50,732
D.A. Phillips	-	30,000	-	30,000
P. Ward (appointed 9.6.00)	-	-	-	-
J.C. Wood	-	7,676	-	7,676

<u>Directors share options</u>	<u>'B' Ordinary 10p shares 31.3.01</u>	<u>'B' Ordinary 10p shares 31.3.00</u>
P.J. Blacklock	77,090	54,233
T.P. Desoutter	54,233	54,233
J.C. Wood	54,233	54,233
P. Ward	54,233	-

Options of 54,233 to P.J. Blacklock, T.P. Desoutter and J.C. Wood were issued in February 1999 and can be exercised at a price of £1.44 per share. The options to P. Ward were issued in December 2000 and can be exercised at a price of £3.00 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.

P.J. Blacklock became entitled on 1st January 2001 to a further 22,857 options which can be exercised at a price of £1.75 per share.

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 £1,923,673 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.

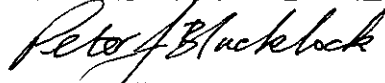
The total amount of trade creditors falling due within one year at 31st March 2001 represents 22 days' (2000 - 22 days') worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Post balance sheet events

Since the year end the Group has acquired the goodwill and tangible fixed assets of the Dentics Cosmetic Studio chain for a total consideration of £1,200,000.

The Group's bank loans have been rescheduled. Full details are given in note 23 to the accounts.

BY ORDER OF THE BOARD


P.J. Blacklock
 Company Secretary

Wellington Gate
 7 - 9 Church Road
 Tunbridge Wells
 Kent TN1 1HT

28th January 2002

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

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

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 2001 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

for January 2002

THE DENCARE MANAGEMENT GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2001

	<u>Note</u>	<u>Continuing operations 2001</u>	<u>Acquisitions 2001</u>	<u>2001</u>	<u>Continuing operations 2000</u>
Turnover	(2)	14,890,304	3,709,778	18,600,082	9,706,342
Cost of sales		(13,634,576)	(3,205,134)	(16,839,710)	(8,376,026)
Gross profit		1,255,728	504,644	1,760,372	1,330,316
Administrative expenses		(1,905,734)	(482,974)	(2,388,708)	(1,490,848)
Operating profit/(loss) before amortisation of goodwill		(650,006)	21,670	(628,336)	(160,532)
Amortisation of goodwill		(275,021)	(75,156)	(350,177)	(150,733)
Operating (loss)		(925,027)	(53,486)	(978,513)	£(311,265)
Interest receivable and similar income	(3)			93,926	37,963
Interest payable and similar charges	(4)			(1,039,086)	(463,422)
(Loss) on ordinary activities before taxation	(7)			(1,923,673)	(736,724)
Tax on (loss) on ordinary activities	(8)			-	-
Retained (loss) for the year				(1,923,673)	(736,724)
(Accumulated deficit) at beginning of year				(2,493,146)	(1,756,422)
(Accumulated deficit) at end of year				£(4,416,819)	£(2,493,146)

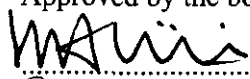
Total recognised gains and losses

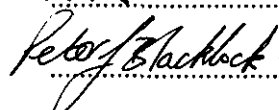
The group has no recognised gains or losses other than the profit and loss for the above two periods.

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

THE DENCARE MANAGEMENT GROUP LIMITED**BALANCE SHEETS****31ST MARCH 2001**

	<u>Note</u>	<u>Group 2001</u>	<u>Group 2000</u>	<u>Company 2001</u>	<u>Company 2000</u>
<u>Fixed assets</u>					
Intangible assets	(10)	6,920,932	5,095,350	-	-
Tangible assets	(11)	3,664,485	2,537,268	-	-
Investments in subsidiary undertakings	(12)	-	-	3,035,415	3,035,415
		<hr/>	<hr/>	<hr/>	<hr/>
		10,585,417	7,632,618	3,035,415	3,035,415
		<hr/>	<hr/>	<hr/>	<hr/>
<u>Current assets</u>					
Stocks	(13)	613,512	375,491	-	-
Debtors	(14)	1,422,668	827,528	6,207,281	6,213,461
Cash at bank and in hand		34,620	4,301,426	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		2,070,800	5,504,445	6,207,281	6,213,461
Creditors: amounts falling due within one year	(15)	(4,028,721)	(2,943,745)	(388,000)	(4,000)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets/(liabilities)		(1,957,921)	2,560,700	5,819,281	6,209,461
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		8,627,496	10,193,318	8,854,696	9,244,876
Creditors: amounts falling due after more than one year	(16)	(6,980,747)	(6,622,896)	(2,952,000)	(3,336,000)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		£1,646,749	£3,570,422	£5,902,696	£5,908,876
		<hr/>	<hr/>	<hr/>	<hr/>
<u>Capital and reserves</u>					
Called up share capital	(17)	481,108	481,108	481,108	481,108
Share premium account	(19)	5,582,460	5,582,460	5,582,460	5,582,460
Accumulated deficit		(4,416,819)	(2,493,146)	(160,872)	(154,692)
		<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds	(20)	£1,646,749	£3,570,422	£5,902,696	£5,908,876
		<hr/>	<hr/>	<hr/>	<hr/>

Approved by the board of directors on 28th January 2002

 D.A. Phillips


 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 2001

	<u>Note</u>	<u>2001</u>	<u>2000</u>
Cash inflow/(outflow) from operating activities	(21a)	(216,327)	188,697
Returns on investments and servicing of finance	(21b)	(896,708)	(426,641)
Capital expenditure and financial investment	(21b)	(3,323,760)	(5,093,385)
		<hr/>	<hr/>
Cash (outflow) before financing		(4,436,795)	(5,331,329)
Financing			
- Issue of shares	(21b)	-	2,858,188
- Increase in debt		725,203	4,166,957
		<hr/>	<hr/>
		725,203	7,025,145
		<hr/>	<hr/>
(Decrease)/increase in cash in the year		£(3,711,592)	£1,693,816
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the year	(3,711,592)	1,693,816
Cash inflow from increase in debt and lease financing	(725,203)	(4,166,957)
	<hr/>	<hr/>
	(4,436,795)	(2,473,141)
New finance leases	(563,476)	(265,603)
	<hr/>	<hr/>
Movement in net debt in the year	(5,000,271)	(2,738,744)
Net debt at beginning of year	(3,712,757)	(974,013)
	<hr/>	<hr/>
Net debt at end of year	(21c)	£(8,713,028)
		<hr/>

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 2001

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 2001. 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 2001

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.

3. <u>Interest receivable and similar income</u>	<u>2001</u>	<u>2000</u>
Interest receivable on bank deposits	£93,926	£37,963
	<hr/>	<hr/>
4. <u>Interest payable and similar charges</u>	<u>2001</u>	<u>2000</u>
Finance lease and hire purchase interest:		
- repayable within five years	138,956	66,269
Bank loan and overdraft interest	409,144	202,453
Interest on other loans	490,986	194,700
	<hr/>	<hr/>
	£1,039,086	£463,422
	<hr/>	<hr/>

5. Employees

Average monthly number of people (including directors)
employed by the group during the year:-

	<u>No. of employees</u>	
	<u>2001</u>	<u>2000</u>
Dentistry	304	165
Administration	53	27
	<hr/>	<hr/>
	357	192
	<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31ST MARCH 2001**

5. Employees - (continued)

Costs in respect of these employees:-	<u>2001</u>	<u>2000</u>
Wages and salaries	3,541,063	1,911,191
Social security costs	359,469	181,516
	<hr/>	<hr/>
	£3,900,532	£2,092,707
	<hr/>	<hr/>

6. Directors' emoluments

	<u>2001</u>	<u>2000</u>
	£	£
Aggregate emoluments	372,384	323,424
The emoluments of the highest paid director	107,799	119,400
	<hr/>	<hr/>

7. (Loss) on ordinary activities before taxation

	<u>2001</u>	<u>2000</u>
(Loss) on ordinary activities before taxation is arrived at, after charging:-	£	£
Amortisation of goodwill	346,082	150,733
Amortisation of trade marks	4,095	-
Depreciation of tangible fixed assets	529,320	304,321
Loss on disposal of tangible fixed assets	-	4,992
Directors' remuneration (including benefits in kind)	372,384	323,424
Auditors' remuneration	30,000	26,295
Other services provided by auditors	10,599	11,456
Operating lease rentals - property	654,960	270,059
- other	90,499	41,080
	<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 £4,050,000 (2000 - £2,150,000) 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 £(6,180) (2000 - £(89,103)).

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.

THE DENCARE MANAGEMENT GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH 2001

10. Intangible fixed assets

	<u>Group</u>			
	<u>Consolidated goodwill</u>	<u>Purchased goodwill</u>	<u>Trade- Marks</u>	<u>Total</u>
Cost				
At beginning of year	33,109	5,356,234	20,000	5,409,343
Additions	-	2,150,514	25,245	2,175,759
	-----	-----	-----	-----
At end of year	33,109	7,506,748	45,245	7,585,102
	-----	-----	-----	-----
Amortisation				
At beginning of year	10,345	303,648	-	313,993
Charge for year	1,655	344,427	4,095	350,177
	-----	-----	-----	-----
At end of year	12,000	648,075	4,095	664,170
	-----	-----	-----	-----
Net book value				
At end of year	£21,109	£6,858,673	£41,150	£6,920,932
	-----	-----	-----	-----
At beginning of year	£22,764	£5,052,586	£20,000	£5,095,350
	-----	-----	-----	-----

11. Tangible fixed assets

	<u>Group</u>				
	<u>Leasehold improvements</u>	<u>Motor vehicles</u>	<u>Fixtures and fittings</u>	<u>Computer equipment</u>	<u>Total</u>
Cost					
At beginning of year	514,026	31,733	2,079,869	572,325	3,197,953
Additions	315,433	-	808,266	532,838	1,656,537
	-----	-----	-----	-----	-----
At end of year	829,459	31,733	2,888,135	1,105,163	4,854,490
	-----	-----	-----	-----	-----
Depreciation					
At beginning of year	43,660	5,704	470,624	140,697	660,685
Charge for the year	30,964	7,933	365,087	125,336	529,320
	-----	-----	-----	-----	-----
At end of year	74,624	13,637	835,711	266,033	1,190,005
	-----	-----	-----	-----	-----
Net book value					
At end of year	£754,835	£18,096	£2,052,424	£839,130	£3,664,485
	-----	-----	-----	-----	-----
At beginning of year	£470,366	£26,029	£1,609,245	£431,628	£2,537,268
	-----	-----	-----	-----	-----

THE DENCARE MANAGEMENT GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31ST MARCH 2001**

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 £818,000 (2000 - £650,000). Depreciation allocated to these assets during the year amounted to £114,000 (2000 - £115,000).

12. Investments in subsidiary undertakings

	<u>Company</u> <u>2001</u>	<u>Company</u> <u>2000</u>
Cost		
At beginning and end of year	£3,035,415	£3,035,415

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

	<u>2001</u>	<u>2000</u>
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.

13. Stocks

	<u>Group</u> <u>2001</u>	<u>Group</u> <u>2000</u>	<u>Company</u> <u>2001</u>	<u>Company</u> <u>2000</u>
Dental materials	£613,512	£375,491	£-	£-

14. Debtors

	<u>Group</u> <u>2001</u>	<u>Group</u> <u>2000</u>	<u>Company</u> <u>2001</u>	<u>Company</u> <u>2000</u>
Trade debtors	732,036	349,981	-	-
Amounts due from subsidiary undertakings	-	-	6,207,281	6,213,461
Other debtors	176,339	149,055	-	-
Prepayments and accrued income	514,293	328,492	-	-
	£1,422,668	£827,528	£6,207,281	£6,213,461

Other debtors includes an amount of £132,252 (2000 - £107,848) falling due after more than one year.

THE DENCARE MANAGEMENT GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31ST MARCH 2001**

15. Creditors: amounts falling due within one year	Group 2001	Group 2000	Company 2001	Company 2000
Obligations under finance leases and hire purchase contracts	286,822	191,484	-	-
Bank loans and overdrafts secured (see - note 16)	1,092,078	1,198,692	-	-
Unsecured loan notes	388,000	4,000	388,000	4,000
Trade creditors	859,681	521,347	-	-
Other taxation and social security	99,318	100,782	-	-
Other creditors	135,035	180,873	-	-
Deferred consideration	-	54,940	-	-
Accruals and deferred income	1,167,787	691,627	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£4,028,721	£2,943,745	£388,000	£4,000
	<hr/>	<hr/>	<hr/>	<hr/>

Deferred consideration of £- (2000 - £32,500) is secured by a fixed charge over one of the leasehold properties.

16. Creditors: amounts falling due after more than one year	Group 2001	Group 2000	Company 2001	Company 2000
Obligations under finance leases and hire purchase contracts due:-				
- within two to five years	312,880	295,872	-	-
Bank loan (see below)	3,715,867	2,991,024	-	-
Unsecured loan notes	2,952,000	3,336,000	2,952,000	3,336,000
	<hr/>	<hr/>	<hr/>	<hr/>
	£6,980,747	£6,622,896	£2,952,000	£3,336,000
	<hr/>	<hr/>	<hr/>	<hr/>

Bank loans

Repayable by instalments

- between one and two years
- between two and five years
- after five years

Group 2001	Group 2000
1,124,037	773,911
2,559,869	2,086,678
31,961	130,435
<hr/>	<hr/>
£3,715,867	£2,991,024
<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 2001

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 £4,807,945 (2000 - £4,189,716) are secured by fixed and floating charges over the freehold and leasehold properties and all material assets of the company excluding prior charges.

Unsecured loan notes	<u>2001</u>	<u>2000</u>
Repayable by instalments (interest at 15%)		
- between one and two years	184,000	184,000
- between two and five years	768,000	952,000
- after five years	-	-
	<hr/>	<hr/>
	£952,000	£1,136,000
	<hr/>	<hr/>
Repayable on 19th August 2001 (interest at 12½%)		
- between one and two years	£-	£200,000
	<hr/>	<hr/>
Repayable on 31st March 2005 (interest at 15%)		
- between two and five years	£2,000,000	£2,000,000
	<hr/>	<hr/>
The loan notes repayable by instalments are due as follows:-		
31st March 2001	4,000	4,000
31st March 2002	184,000	184,000
31st March 2003	184,000	184,000
8th February 2004	240,000	240,000
31st March 2004	264,000	264,000
31st March 2005	264,000	264,000
	<hr/>	<hr/>
	£1,140,000	£1,140,000
	<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH 2001**

17. <u>Called up share capital</u>	<u>2001</u>	<u>2000</u>
Authorised:		
138,750 'A' Ordinary shares of £1 each	138,750	138,750
11,250 'B' Ordinary shares of £1 each	11,250	11,250
1,754,991 'B' Ordinary shares of 10p each	175,499	175,499
1,056,666 'C' Ordinary shares of 10p each	105,667	105,667
750,000 'D' Ordinary shares of 10p each	75,000	75,000
716,049 'E' Ordinary shares of 10p each	71,605	71,605
	<hr/>	<hr/>
	£577,771	£577,771
	<hr/>	<hr/>
Allotted, called-up and fully paid:		
138,750 'A' Ordinary shares of £1 each	138,750	138,750
11,250 'B' Ordinary shares of £1 each	11,250	11,250
788,364 'B' Ordinary shares of 10p each	78,836	78,836
1,056,666 'C' Ordinary shares of 10p each	105,667	105,667
750,000 'D' Ordinary shares of 10p each	75,000	75,000
716,049 'E' Ordinary shares of 10p each	71,605	71,605
	<hr/>	<hr/>
	£481,108	£481,108
	<hr/>	<hr/>

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 2001

18. Share options

Details of options granted under the companies share option schemes and outstanding at 31st March 2001 were as follows:-

Date options granted	Price	Number of options	'B' Ordinary shares of 10p
1st April 1998	£1.75	9,741	9,741
8th February 1999	£1.44	162,699	162,699
20 th December 2000	£3.00	54,233	54,233
1 st January 2001	£1.75	22,857	22,857

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 and on 20th December 2000 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.

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

The options granted on 1st January 2001 are exercisable in whole or in part up to seven years from the date of grant.

19. Share premium account

	<u>2001</u>	<u>2000</u>
At beginning of year	5,582,460	2,799,040
Premium on allotments and conversions	-	2,935,232
Expenses of share issue	-	(151,812)
	<hr/>	<hr/>
At end of year	£5,582,460	£5,582,460
	<hr/>	<hr/>

20. Reconciliation of movements on shareholders' funds

	<u>Group 2001</u>	<u>Group 2000</u>	<u>Company 2001</u>	<u>Company 2000</u>
(Loss) for the financial year after taxation	(1,923,673)	(736,724)	(6,180)	(89,103)
Share capital subscribed	-	74,768	-	74,768
Share premium received	-	2,783,420	-	2,783,420
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,923,673)	2,121,464	(6,180)	2,769,085
Shareholders' funds at beginning of year	3,570,422	1,448,958	5,908,876	3,139,791
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at end of year	£1,646,749	£3,570,422	£5,902,696	£5,908,876
	<hr/>	<hr/>	<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 2001

21. Consolidated cash flow statement

(a) <u>Reconciliation of operating (loss) to operating cash flows</u>	<u>2001</u>	<u>2000</u>
Operating (loss)	(978,513)	(311,265)
Depreciation of tangible fixed assets	529,320	304,321
Amortisation of intangible fixed assets	350,177	150,733
(Increase) in stocks	(238,021)	(191,441)
(Increase) in debtors	(600,143)	(497,271)
Increase in creditors	720,853	728,628
Loss on sale of tangible fixed assets	-	4,992
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	£(216,327)	£188,697
	<hr/>	<hr/>
(b) <u>Analysis of cash flows for headings netted in the cash flow statement</u>	<u>2001</u>	<u>2000</u>
Returns on investments and servicing of finance		
Interest received	93,926	37,963
Interest paid	(851,678)	(394,390)
Interest element of finance lease and hire purchase contracts	(138,956)	(66,269)
Interest element of goodwill payments	-	(3,945)
	<hr/>	<hr/>
	£(896,708)	£(426,641)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,107,061)	(1,571,820)
Purchase of intangible fixed assets	(2,216,699)	(3,793,565)
Sale of tangible fixed assets	-	272,000
	<hr/>	<hr/>
	£(3,323,760)	£(5,093,385)
	<hr/>	<hr/>
Financing		
Issue of ordinary share capital	-	74,768
Share premium received	-	2,935,232
Expenses in connection with share issue	-	(151,812)
	<hr/>	<hr/>
	£-	£2,858,188
	<hr/>	<hr/>
Increase in debt		
New unsecured loans	-	2,000,000
New bank loans	1,769,634	2,544,007
Repayment of bank loans	(596,190)	(176,200)
Capital element of finance lease rental payments	(448,241)	(200,850)
	<hr/>	<hr/>
	£725,203	£4,166,957
	<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH 2001

21. Consolidated cash flow statement - (continued)

(c) <u>Analysis of net debt</u>	<u>At beginning of year</u>	<u>Cash flows</u>	<u>Non cash changes</u>	<u>At end of year</u>
Cash at bank and in hand	4,301,426	(4,266,806)		34,620
Overdrafts	(555,214)	555,214		-
		(3,711,592)		
Debt due within one year	(647,478)	317,701	(1,150,301)	(1,480,078)
Debt due after one year	(6,327,024)	(1,491,145)	1,150,301	(6,667,868)
Finance leases	(484,467)	448,241	(563,476)	(599,702)
	<u>£(3,712,757)</u>	<u>£(4,436,795)</u>	<u>£(563,476)</u>	<u>£(8,713,028)</u>

(d) Major non cash transactions

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £563,476 (2000 - £265,603).

22. Guarantees and other financial commitments

(a) <u>Capital commitments</u>	<u>2001</u>	<u>2000</u>
At the end of the year, capital commitments were:-	<u>£1,330,000</u>	<u>£20,000</u>
 (b) <u>Lease commitments</u>		
The minimum annual rentals under operating leases are as follows:-	<u>2001</u>	
	<u>Property</u>	<u>Other</u>
Operating leases which expire:-		
- within one year	-	-
- within one - two years	-	38,304
- within two - five years	328,652	18,718
- after five years	424,117	-
	<u>£752,769</u>	<u>£57,022</u>

23. Post balance sheet events

Since the year end the Group has acquired the goodwill and tangible fixed assets of the Dentics Cosmetic Studio chain for a total consideration of £1,200,000.

The bank loans of £4,807,945 at 31st March 2001 have been rescheduled as part of a new loan facility of £6,720,000 repayable by instalments as follows:

Within one year	£-
Within one to two years	£1,008,000
Within two to five years	£4,032,000
Over 5 years	£1,680.00

Interest remains at 2.5% per annum over the Bank of Scotland base rate.