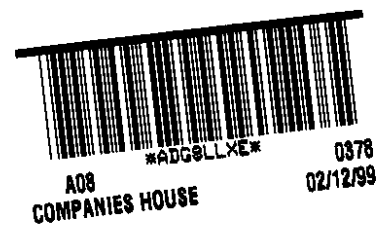


Registered no: 3257078

Oasis Healthcare plc

Annual report

for the year ended 31 March 1999



Oasis Healthcare plc

Annual report for the year ended 31 March 1999

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Oasis Healthcare plc

Directors and advisers

Directors

R C Trenter
J King
J M B Frank
P Gaunt
G V Penfold
R A Millar

Secretary and registered office

Mrs S Fadil
Rowe and Maw
20 Black Friars Lane
LONDON
EC4V 6HD

Bankers

Natwest Bank Plc
45 London Street
NORWICH
NR2 1HX

Financial Adviser and Stockbroker

Peel, Hunt & Company Limited
62 Threadneedle Street
LONDON
EC2R 8HP

Registrars

IRG Plc
Balfour House
390-398 High Road
Ilford
ESSEX
IG1 1NG

Registered auditors

PricewaterhouseCoopers
The Atrium
St Georges Street
NORWICH
NR3 1AG

Solicitors

Eversheds
Holland Court
The Close
NORWICH
NR1 4DX

Eversheds
Senator House
85 Queen Victoria Street
LONDON
EC4V 4JL

Financial & Public Relations

Buchanan Communications Limited
107 Cheapside
LONDON
EC2V 6DT

Oasis Healthcare plc

Chairman's Review

I was appointed Chairman of your company following a re-organisation of the board and a successful placing and open offer that raised £1.055 million pounds, net of expenses, enabling the group to continue its expansion.

I am pleased to report considerable progress for Oasis Healthcare plc in its second year of trading and for the year ended 31 March 1999 on a turnover of £993,027 the operating loss was £332,263. This compares with a turnover of £605,470, and an operating loss of £405,300 in the previous year and is in line with the directors' expectations.

Considerable changes in management have taken place throughout the year with the resignation of the three founding directors and a new executive team put in place to facilitate the fundraising and growth of the group.

The group strategy is to acquire dental practices with a minimum of three active surgeries and turnover of at least £250,000 per annum and then, through the group's management and expertise, to add value and improve profitability by:-

- Bulk purchasing, economies of scale and improved controls.

- Professional marketing especially of private dental care.

- Offering improved career planning and employee benefits.

- Comprehensive training programmes to maximise the opportunities available.

We entered the year under review with dental practices in North Shields, Nuneaton, Pontefract and Armley (Leeds) and following fundraising acquired a three surgery practice in Askern on 1 February 1999, and disposed of the loss making single surgery practice at Armley on 12 March 1999. Subsequent to the date of the accounts we have acquired practices in Rochdale, Manchester, Morecambe and Boston giving us an additional seventeen surgeries.

Central costs have been reduced during the year in an endeavour to reach break even as soon as possible. The Head Office was relocated from Leeds to Norwich in November 1998 as part of the cost reduction programme.

The dental care market is rapidly changing and your directors are determined to be leaders in that change, 62% of dental expenditure is now funded by government as opposed to approaching 85% ten years ago indicating the potential for the group. Currently only 15% of our patients are private. We have initiated a new "Oasis Dental Care" plan to provide patients with the majority of their needs. Initial reactions to this gives your board confidence as to its future success.

Oasis Healthcare plc

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Oasis Healthcare plc

I must pay tribute to the efforts of all our directors, clinicians, management and staff who have worked with us over the past year – every member of our team plays an important part in upholding standards whilst taking the business forward.

A handwritten signature in black ink, appearing to read 'R C Trenter', with a large, stylized flourish at the end.

R C Trenter

Chairman

Oasis Healthcare plc

Directors' report for the year ended 31 March 1999

The directors present their report and the audited financial statements for the year ended 31 March 1999.

Principal activity

The principal activity of the group is the operation of dental practices.

Review of business and future developments

The consolidated profit and loss account for the year is set out on page 17. The group is currently loss making as the current scale of operations is too small to generate sufficient profits to cover central overheads. However, the directors intend to develop the business, both by organic growth and the purchase of additional dental practices. The level of acquisitions planned is likely to require the raising of additional equity. The timing of this will be influenced by the speed with which suitable acquisitions can be made and the board's assessment of the optimum method of raising finance to maximise shareholder value.

Share issue

On 5 February 1999, the company issued 10,796,234 ordinary shares of 1p each, at a premium per share of 9p. Cash proceeds from this issue, net of share issue expenses, were £1,055,143.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company who served throughout the year, except where otherwise stated, are listed below:

Mr J M B Frank	
Mr P Gaunt	(appointed 15 April 1998)
Mr G V Penfold	(appointed 12 August 1998)
Mr R A Millar	(appointed 3 December 1998)
Mr R C Trenter	(appointed 3 February 1999)
Mr J King	(appointed 3 February 1999)
Dr P B Harris	(resigned 17 November 1998)
Mr G Sheard	(resigned 16 November 1998)
Mr A D Porter	(resigned 8 May 1998)

Oasis Healthcare plc

Executive Directors

Joe King (Deputy Chairman)

Joe King, aged 51, qualified as a pharmacist in 1970. He established a group of nine pharmacies in Norfolk, which he sold in two separate tranches to AAH plc in 1992 and 1993. He was a board member of the National Pharmaceutical Association from 1983 to 1995, and was Chairman of the Board in 1992/93. He was a member of the Pharmaceutical Services Negotiating Committee and a member of the Norfolk Family Health Services Authority from 1986 to 1994. From 1983 to 1995 Mr King was Chairman of the Norfolk Local Pharmaceutical Committee. Mr King is Chairman of Kingchem Limited, whose interests include the operation of pharmacies and property development.

Graham Penfold (Managing Director)

Graham Penfold, aged 46, was formerly Director of Finance and Computing with Norfolk Family Health Authority and is now a partner in the firm of healthcare management consultants, the Wilcox Penfold Partnership. Mr Penfold has been active in dental practice management consultancy for more than ten years. He has written and lectured widely on a broad range of managerial and policy issues affecting dentistry. He is senior consultant to and Chairman of the advisory panel of CIGNA Dental Care and advises the Royal Bank of Scotland on dental business practices throughout the UK.

Richard Millar (Finance Director)

Richard Millar, aged 51, has thirty years experience in financial management. Qualifying in 1971 he left the accountancy profession for a career in industry. After two positions as finance director in construction and manufacturing he led a management buyout in 1986 of the engineering company Mills Marketing Services Limited. This was sold to Haden MacLellan plc in December 1989. Since 1990 Mr Millar, often in conjunction with Mr King, has acquired and developed a number of regional companies.

Oasis Healthcare plc

Non-executive Directors

Ron Trenter (Chairman)

Ron Trenter, aged 55 has nearly thirty years experience in the retail sector and has held a number of key positions during his career in the UK, America and Europe. Mr Trenter was Executive Chairman of Upton and Southern Holdings plc from March 1995 until July 1999 and was appointed as a non-executive director of Flare Group plc on 1 January 1999.

Prior to joining Upton and Southern Holdings plc, Mr Trenter spent 22 years at Texas Homecare where he was appointed Managing Director in 1980, Chairman and Chief Executive Officer in 1991. He was responsible for the growth and overall strategy of the company, which had over 230 DIY superstores throughout the UK together with franchised operations in Spain and Ireland. By 1993, turnover was approaching £700 million.

Michael Frank

Michael Frank, aged 56, qualified as a Chartered Accountant and has a background in venture capital and merchant banking. He has a wide range of experience in fund raising, flotations, mergers and acquisitions as well as business development. Until 1997 he was a director of NatWest Markets Corporate Finance Limited, a position he held for nine years. During this time he specialised in advising growth companies with a market capitalisation of up to £250 million. Mr Frank is now a director of a number of listed and unlisted companies in the UK.

Paul Gaunt

Paul Gaunt, aged 50, spent ten years with the Equitable Life Assurance Society where he was a senior investment manager until he retired in 1997. At Equitable Life, Mr Gaunt's area of specialisation was in the identification of growth companies and since leaving Equitable Life he has joined a number of organisations dedicated to investing in this type of company. Current directorships include Finsbury Worldwide Pharmaceutical Trust, Reabourne Merlin Life Sciences, Benfield & Rea Investment Trust and Raphael Zorn Hemsley.

Oasis Healthcare plc

Directors' emoluments

	Salary and fees £	Benefits £	Pension contributions £	Compensation for loss of office £	1999 Total £	1998 Total £
Executive						
G V Penfold	28,035	-	-	-	28,035	-
J King	1,104	-	-	-	1,104	-
R A Millar	11,411	-	-	-	11,411	-
P B Harris	36,485	1,455	5,000	25,000	67,940	111,570
G Sheard	50,973	-	-	-	50,973	322
A D Porter	-	-	-	-	-	-
Non-Executive						
J M B Frank	13,485	-	-	-	13,485	-
P Gaunt	13,485	-	-	-	13,485	-
R C Trenter	-	-	-	-	-	-
Total Directors' Emoluments	154,978	1,455	5,000	25,000	186,433	111,892

Benefits in kind include the provision of medical and life insurance.

The above table includes amounts paid to third parties of £13,485, in respect of making available the services of J M B Frank to the company, £422, in respect of making available the services of R A Millar to the company, and £50,973, in respect of making available the services of G Sheard to the company.

Directors' interests

Interests in shares

The interests of the directors who held office at the year-end in the shares of the company at 31 March 1999, together with their interests at 1 April 1998 were:-

	31 March 1999 Number	% of equity	1 April 1998 Number	% of equity
Ordinary shares of 1 pence each				
J M B Frank	171,250	1.0	21,250	0.3
R A Millar	1,000,000	5.9	-	-
J King *	2,997,500	17.7	-	-
R C Trenter	1,017,000	6.0	-	-
G V Penfold	500,000	3.0	-	-
P Gaunt	750,000	4.4	-	-

No director had any interest in the shares of the subsidiary as at 31 March 1999.

* These shares are held in the J & A L King Limited Retirement Benefit Scheme.

Oasis Healthcare plc

Interests in share options

The following current directors held options over 1p ordinary shares during the year as set out below:

	1 April 1998	Granted during the year	Cancelled during the year	31 March 1999	Exercise price	Date from which exercisable	Expiry date
J M B Frank	-	375,000	-	375,000	10p	05/02/2000	05/02/2009
G V Penfold	-	750,000	-	750,000	10p	05/02/2000	05/02/2009
P Gaunt	-	375,000	-	375,000	10p	05/02/2000	05/02/2009
J King	-	1,125,000	-	1,125,000	10p	05/02/2000	05/02/2009
R C Trenter	-	375,000	-	375,000	10p	05/02/2000	05/02/2009
R A Millar	-	750,000	-	750,000	10p	05/02/2000	05/02/2009
	-	3,750,000	-	3,750,000			

The following former directors held options over 1p ordinary shares during the year as set out below. All of the options remaining as at 31 March 1999 lapsed on 23 April 1999.

	1 April 1998	Granted during the year	Cancelled during the year	31 March 1999	Exercise price	Date from which exercisable	Expiry date
P B Harris	750,000	-	750,000	-	40p	10/03/1997	10/03/2004
	250,000	-	250,000	-	60p	10/03/1997	10/03/2004
	116,279	-	-	116,279	21.5p	25/04/1997	23/04/1999
A D Porter	750,000	-	750,000	-	40p	10/03/1997	10/03/2004
	250,000	-	250,000	-	60p	10/03/1997	10/03/2004
	*1,790,694	-	-	1,790,694	21.5p	25/04/1997	23/04/1999
	*465,116	-	-	465,116	21.5p	25/04/1997	23/04/1999
G Sheard	750,000	-	750,000	-	40p	10/03/1997	10/03/2004
	250,000	-	250,000	-	60p	10/03/1997	10/03/2004
	116,279	-	-	116,279	21.5p	25/04/1997	23/04/1999
	5,488,368		3,000,000	2,488,368			

* These options are held in the name of Bane Enterprises Limited, a company controlled by A D Porter.

Oasis Healthcare plc

The closing mid-market price of Oasis Healthcare plc 1p ordinary shares at 31 March 1999 was 14.5p. During the period the traded prices of Oasis Healthcare plc 1p ordinary shares ranged between 26p and 10p.

Year 2000

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of century, producing a wide range of consequences.

The group is conducting a risk-based review of its systems to identify those which could be affected. Most of the IT systems have recently been purchased by the group and the directors are seeking assurances that these systems are fully Year 2000 compliant. The group is replacing or upgrading the older systems and intends that all business critical systems will be completed by November 1999. The directors estimate that the cost of this work will be less than £25,000.

The Year 2000 issue does create risk for the group from third parties with whom the group deals. To address the business risk from third party non-compliance with Year 2000 standards, the group has an evaluation process designed to monitor the Year 2000 status of key suppliers.

Substantial shareholdings excluding directors

As at 3 August 1999, the following interests, other than those of the directors, representing 3% or more of the issued equity share capital, had been notified to the company:

	Number of shares	% of issued share capital
The Equitable Life Assurance Society	2,183,140	12.88
Mr B E Bartram	1,000,000	5.90
Canons Nominees Limited	900,000	5.31
Mr G B Duncan	840,000	4.96
Mr D Mapp	2,000,000	11.80
RBSTB Nominees Limited	979,072	5.78

Creditor payment policy

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has supplied the goods and services in accordance with the agreed terms and conditions. The company does not have a standard or code which deals specifically with the payment of suppliers.

Oasis Healthcare plc

The rates, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 31 March 1999 and the amounts owed to its trade creditors at the year end was 57 days (1998: 60 days).

Corporate Governance

In June 1998 the London Stock Exchange issued the Combined Code. This Code is based on the report of the Hampel Committee and sets out Principles of Good Corporate Governance and Code Provisions which consolidate the work of earlier Cadbury and Greenbury Committees.

The publication of the Combined Code part way through the Group's financial year, together with the many changes to the Board, has resulted in the Group not being able to comply with many of the Code's principles and provisions. In their capacity as non-executive directors P Gaunt, R C Trenter, and J M B Frank will enable the Group to positively address many aspects of the Combined Code. The Board anticipates that an audit committee will be formed during the year. A remuneration committee was established in April 1999. Furthermore the Group is committed to implementing the other principles and provisions of the Code.

It is the Board's intentions that the audit committee, on behalf of the Board, will conduct a review of the effectiveness of the Group's system of internal controls. This will involve analysing the risks facing the Group, and carrying out a comprehensive review of the internal controls in place to mitigate those risks. No such review has been carried out this year.

The Board considers its relationships with institutional and private investors to be important. The Board will review the procedures for communicating with shareholders during the financial year. The Board welcomes shareholder participation at the A.G.M.

After making enquires the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Disabled persons

All practicable arrangements will be made to accommodate disabled persons into employment. Those who become disabled whilst in the Group's employment will be retrained and/or transferred to alternative jobs as appropriate. All employees are eligible for appropriate training, career development and promotional opportunities and disabled people are not treated any differently in this respect.

Oasis Healthcare plc

Employee involvement

Employee involvement, consultation and development fulfil key roles in achieving success for the Group's continuing growth. The directors intend to implement a full training plan and development programme in the coming financial year.

Post balance sheet events

The group has purchased 4 dental practices since the balance sheet date, for a total consideration of £760,000. This is described further in note 32 to the financial statements.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board



R A Millar

Director

16 August 1999

Oasis Healthcare plc

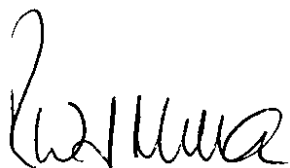
Statement of directors' responsibilities

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 and cash flows of the group 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;
- 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



R A Millar
Director

16 August 1999

Oasis Healthcare plc

Auditors' report to the members of Oasis Healthcare plc

We have audited the financial statements on pages 17 to 37, which have been prepared in accordance with the historical cost convention and the accounting policies set out on pages 21 to 23.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 14, the financial statements. Our responsibilities, as independent auditors, are established primarily by statute, the Auditing Practices Board, and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We also, at the request of the directors (because the company applies the Stock Exchange Listing Rules relating to corporate governance, as if it is a company listed on the London Stock Exchange), review whether the statement on page 12 reflects the company's compliance with those provisions of the Combined Code specified by the Stock Exchange for review by auditors of companies listed on the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its internal controls.

Basis of audit opinion

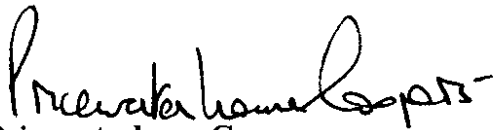
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

Oasis Healthcare plc

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 the group at 31 March 1999 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Norwich

17 August 1999

Oasis Healthcare plc

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

	Notes	Year ended 31 March 1999 £	Year ended 31 March 1998 £
Turnover			
Continuing operations		857,470	-
Acquisitions		48,255	605,470
Discontinued activities		87,302	-
	2	<u>993,027</u>	<u>605,470</u>
Cost of sales	3	<u>(993,574)</u>	<u>(648,420)</u>
Gross profit	3	(547)	(42,950)
Administrative expenses	3	(313,204)	(349,581)
Goodwill amortisation	3	(18,512)	(12,769)
Operating (loss)/profit			
Continuing operations		(330,964)	(225,813)
Acquisitions		4,642	(179,487)
Discontinued activities		(5,941)	-
Total operating loss		(332,263)	(405,300)
Loss on disposal of business	23	(23,117)	-
Interest receivable and similar income		20,171	4,068
Interest payable and similar charges	6	(707)	(147)
Loss on ordinary activities before taxation	7	(335,916)	(401,379)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year	9, 25	(335,916)	(401,379)
Earnings per share			
Loss per share	10	(3.74)p	(7.30)p
Diluted loss per share	10	(3.74)p	(7.30)p

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

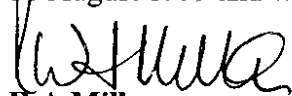
The group has no recognised gains or losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

Oasis Healthcare plc

Balance sheets at 31 March 1999

	Notes	Group		Company	
		1999	1998	1999	1998
		£	£	£	Restated £
Fixed assets					
Intangible assets	11	392,013	355,743	-	-
Tangible assets	12	119,253	106,299	3,332	2,336
Investments	13	-	-	151,883	151,883
		<u>511,266</u>	<u>462,042</u>	<u>155,215</u>	<u>154,219</u>
Current assets					
Stocks	14	5,485	5,385	-	-
Debtors: amounts falling due after more than one year	15	-	-	350,770	350,770
Debtors: amounts falling due within one year	15	85,479	721,437	116,939	669,555
Cash at bank and in hand		1,113,325	75,034	1,038,086	37,700
		<u>1,204,289</u>	<u>801,856</u>	<u>1,505,795</u>	<u>1,058,025</u>
Creditors: amounts falling due within one year	16	<u>(253,514)</u>	<u>(154,755)</u>	<u>(162,629)</u>	<u>(74,630)</u>
Net current assets		<u>950,775</u>	<u>647,101</u>	<u>1,343,166</u>	<u>983,395</u>
Total assets less current liabilities		<u>1,462,041</u>	<u>1,109,143</u>	<u>1,498,381</u>	<u>1,137,614</u>
Creditors: amounts falling due after more than one year	17	<u>(14,254)</u>	<u>(5,007)</u>	-	-
Net assets		<u>1,447,787</u>	<u>1,104,136</u>	<u>1,498,381</u>	<u>1,137,614</u>
Capital and reserves					
Called up share capital	20	169,480	77,500	169,480	77,500
Share premium account	24	2,015,602	1,428,015	2,015,602	1,428,015
Profit and loss account	24	(737,295)	(401,379)	(686,701)	(367,901)
Equity shareholders' funds	25	<u>1,447,787</u>	<u>1,104,136</u>	<u>1,498,381</u>	<u>1,137,614</u>

The financial statements on pages 17 to 37 were approved by the board of directors on 16 August 1999 and were signed on its behalf by:



R A Millar
Director

Oasis Healthcare plc

Consolidated cash flow statement for the year ended 31 March 1999

	Note	1999 £	1998 £
Net cash outflow from continuing operating activities (page 20)		(244,888)	(290,966)
Returns on investment and servicing of finance			
Interest received		20,171	4,068
Interest paid		(707)	(147)
Net cash inflow from returns on investments and servicing of finance		19,464	3,921
Capital expenditure			
Purchase of tangible fixed assets		(26,122)	(46,518)
Net cash outflow from capital expenditure		(26,122)	(46,518)
Acquisitions and disposals			
Purchase of subsidiary		-	(121,983)
Net cash acquired with subsidiary		-	14,811
Purchase of business		(96,967)	(330,760)
Sale of business		31,286	-
Net cash outflow from acquisitions and disposals		(65,681)	(437,932)
Cash outflow before financing		(317,227)	(771,495)
Financing			
Issue of ordinary shares		1,079,623	1,003,871
Collection of unpaid share capital outstanding as at 31 March 1998		283,053	-
Shares issue costs		(24,480)	(159,485)
Capital element of finance lease payments		(2,309)	(357)
		1,335,887	844,029
Increase in cash in the year	26	1,018,660	72,534

Oasis Healthcare plc

Reconciliation of operating loss to net cash outflow from operating activities

	1999	1998
	£	£
Operating activities		
Operating loss	(332,263)	(405,300)
Depreciation on tangible fixed assets	12,804	19,384
Amortisation of intangible fixed assets	18,512	12,769
Increase in stocks	(100)	(1,213)
Increase in debtors	(22,671)	(39,266)
Increase in creditors	78,830	122,660
Net cash outflow from operating activities	(244,888)	(290,966)

Oasis Healthcare plc

Notes to the financial statements for the year ended 31 March 1999

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. A summary of the more important group accounting policies, which have been applied consistently, except as indicated in respect of earnings per share, is set out below.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 31 March 1999. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary or business, all of the subsidiary's/business' assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary/business are charged to the post acquisition profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Other purchased goodwill arises on the acquisition of unincorporated businesses. Goodwill arising on the acquisition of subsidiaries and unincorporated businesses is capitalised and eliminated by amortisation through the profit and loss account over an estimated useful economic life of twenty years.

Tangible fixed assets

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

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected economic lives of the assets in equal annual instalments at the following principal rates:-

Leasehold property	5%
Fixtures and fittings	10%
Computer equipment	20%

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1 Principal accounting policies (continued)

The rates of depreciation have been revised by the directors in the financial year to more accurately reflect the estimated useful life of assets. The rates of depreciation prior to the change in depreciation rates were:

Leasehold property	5% straight line basis
Fixtures, fittings and equipment (including computer equipment)	25% reducing balance basis

The effect of this change on the profit and loss account and the balance sheet is to decrease the group depreciation charge for the year and increase the group net book value of the tangible fixed assets by £13,961 (company £650).

Finance and operating leases

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet and are depreciated over their estimated useful lives.

The interest element of these obligations is charged to the profit and loss account over the period of the lease, using the annuity method. The capital element of the future payments is treated as a liability.

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

Stocks

Stocks of raw materials and consumables are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover represents gross fees for dental services provided.

Oasis Healthcare plc

1 Principal accounting policies (continued)

Pension costs

The group operated a defined contribution pension scheme. The pension charge represents contributions paid by the group to the scheme. The pension scheme ceased in the year with the resignation of the participating director.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Earnings per share

FRS 14 Earnings per share, has been adopted and, consequently, basic and diluted earnings per share have been calculated in accordance with the new methodology. Comparative basic and diluted earnings per share figures for 1998 have been calculated on the same basis.

2 Turnover

Turnover consists of sales made relating to the one principal activity of the group in the United Kingdom.

3 Cost of sales, gross profit and administrative expenses

	1999				1998		
	Continuing operations	Acquisitions	Discontinued activities	Total	Continuing operations	Acquisitions	Total
	£	£	£	£	£	£	£
Turnover	857,470	48,255	87,302	993,027	-	605,470	605,470
Cost of sales	(856,718)	(43,613)	(93,243)	(993,574)	-	(648,420)	(648,420)
Gross profit/(loss)	752	4,642	(5,941)	(547)	-	(42,950)	(42,950)
Other operating expenses	(331,716)	-	-	(331,716)	(225,813)	(136,537)	(362,350)
Operating (loss)/profit	(330,964)	4,642	(5,941)	(332,263)	(225,813)	(179,487)	(405,300)

Oasis Healthcare plc

4 Directors' emoluments

Detailed disclosures of Directors' individual remuneration and share options are given in the Directors' Report on pages 9 to 11.

	1999	1998
	£	£
Aggregate emoluments	156,433	102,710
Group contributions to the defined contribution pension scheme	5,000	9,182
Compensation for loss of office	25,000	-

5 Employee information

The average monthly number of persons (including executive directors) employed by the group during the year was:-

	1999	1998
	Number	Number
By activity		
Dentists	11	10
Other practice staff	32	12
Administration	1	1
Directors	4	4
	<u>48</u>	<u>27</u>

	1999	1998
	£	(restated) £
Staff costs (for the above persons)		
Wages and salaries	419,748	*261,642
Social security costs	38,226	16,304
Other pensions costs	5,000	9,182
	<u>462,974</u>	<u>287,128</u>

* The 1998 wages and salaries figure has been restated to include associate fees paid to dentists who were directors of the subsidiary company.

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6 Interest payable and similar charges

	1999	1998
	£	£
Interest payable on finance leases	707	147

7 Loss on ordinary activities before taxation

	1999	1998
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Goodwill amortisation	18,512	12,769
Depreciation charge for the year:		
Tangible owned fixed assets	12,036	19,064
Tangible assets held under finance leases	768	320
Auditors remuneration for:		
Audit (company : £5,000)	7,500	7,000
Non-audit services	8,800	-
Property rents – operating leases	36,303	23,070

8 Tax on loss on ordinary activities

There is no tax charge for the year. Estimated losses for corporation tax purposes of £707,432 (1998: £395,088) will be available to set against future trading profits of the group.

9 Loss for the financial year

As permitted by Section 230 of the Companies Act 1985, the company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year was £318,800 (1998: £367,901).

10 Earnings per share

	1999	1998
	£	£
Loss attributable to shareholders	335,916	401,379
Average share price in period (pence)	22.8p	22.8p
Dilution effect of exercisable share options		
Weighted average number of shares in issue	8,979,448	5,495,891
Total shares for calculating diluted loss per share	8,979,448	5,495,891

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The calculation of basic loss per share is based on loss after taxation and a weighted average of ordinary shares of 1p each in issue during the period. The diluted loss per share calculation is based on the same figures.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The group has only one category of dilutive potential ordinary shares: those share options granted where the exercise price is less than the average market price of the company's ordinary shares during the year. There is no dilution effect of the dilutive potential ordinary shares on the total shares for calculating diluted loss per share.

11 Intangible fixed assets

The company has no intangible fixed assets. Details of those relating to the group are as follows:

	Goodwill £
Cost	
At 1 April 1998	368,512
Additions	88,821
Disposals	(37,388)
At 31 March 1999	419,945
Amortisation	
At 1 April 1998	12,769
Amortisation charge for year	18,512
Disposals	(3,349)
At 31 March 1999	27,932
Net book value	
At 31 March 1999	392,013
At 31 March 1998	355,743

Goodwill arose on the purchase of Oasis Dental Care Limited and the purchase of a number of unincorporated dental practices.

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12 Tangible fixed assets

	Leasehold buildings	Fixtures and Fittings	Total
Group	£	£	£
Cost			
At 1 April 1998	28,104	108,972	137,076
Additions	-	26,122	26,122
Acquisition of business (note 22)	-	20,000	20,000
Disposal of business (note 23)	-	(33,341)	(33,341)
At 31 March 1999	28,104	121,753	149,857
Depreciation			
At 1 April 1998	8,426	22,351	30,777
Charge for the year	1,404	11,400	12,804
Disposal of business (note 23)	-	(12,977)	(12,977)
At 31 March 1999	9,830	20,774	30,604
Net book value			
At 31 March 1999	18,274	100,979	119,253
At 31 March 1998	19,678	86,621	106,299
Company		Fixtures and Fittings	
		£	
Cost			
At 1 April 1998			3,114
Additions			1,453
At 31 March 1999			4,567
Depreciation			
At 1 April 1998			778
Charge for the year			457
At 31 March 1999			1,235
Net book value			
At 31 March 1999			3,332
At 31 March 1998			2,336

The net book value of tangible fixed assets includes an amount of £5,515 (1998: £7,353) in respect of assets held under finance leases.

Oasis Healthcare plc

13 Fixed asset investments

	Interest in subsidiary undertakings (restated) £
Company	
Cost	
At 1 April 1998 and 31 March 1999	<u>151,883</u>

The cost of the investment has been restated to include the purchase of 29,900 ordinary shares of £1 each that were purchased on 1 May 1997. These shares remain unpaid as at 31 March 1999.

Interests in subsidiary undertakings

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held	
			Group	Company
Oasis Dental Care Limited	England and Wales	Ordinary	100%	100%

The principal activity of Oasis Dental Care Limited is the operation of a group of dental practices.

14 Stocks

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Raw materials and consumables	<u>5,485</u>	<u>5,385</u>	<u>-</u>	<u>-</u>

Oasis Healthcare plc

15 Debtors

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	350,770	350,770
Amounts falling due within one year				
Trade debtors	74,322	48,144	-	-
Amounts owed by group undertakings	-	-	112,007	-
Other debtors	-	10,926	-	10,926
Called up share capital not paid	-	658,629	-	658,629
Prepayments and accrued income	11,157	3,738	4,932	-
	<u>85,479</u>	<u>721,437</u>	<u>116,939</u>	<u>669,555</u>

16 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	(restated) £
Bank overdraft (unsecured)	19,631	-	-	-
Obligations under finance leases	2,607	2,309	-	-
Trade creditors	141,271	113,113	51,651	35,730
Amounts owed to subsidiary	-	-	29,900	29,900
Other taxation and social security	-	10,101	-	-
Accruals and deferred income	90,005	29,232	81,078	9,000
	<u>253,514</u>	<u>154,755</u>	<u>162,629</u>	<u>74,630</u>

The amounts owed to the subsidiary are restated for the reasons explained in note 13.

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17 Creditors: amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Obligations under finance leases	2,400	5,007	-	-
Deferred consideration for acquisitions (note 22)	11,854	-	-	-
	<u>14,254</u>	<u>5,007</u>	<u>-</u>	<u>-</u>

18 Finance lease obligations

The company has no finance lease obligations. Obligations relating to the group are as follows:

	1999	1998
	£	£
Gross obligations repayable:		
Within one year	3,016	3,016
Between one and two years	2,514	5,530
	<u>5,530</u>	<u>8,546</u>
Finance charges repayable:		
Within one year	409	707
Between one and two years	114	523
	<u>523</u>	<u>1,230</u>
Net obligations repayable:		
Within one year	2,607	2,309
Between one and two years	2,400	5,007
	<u>5,007</u>	<u>7,316</u>

19 Pension costs

The group operated a defined contribution pension scheme for one of the directors. The assets of the scheme were held separately from those of the group in an independently administered fund. The pension charge for the year represents contributions paid by the group to the scheme and amounts to £5,000 (1998: £9,182). Since the resignation of P B Harris in the year the group has no further pension obligations.

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20 Called up share capital

Company and group:

	1999 £	1998 £
Authorised		
30,000,000 ordinary shares of 1 pence each	<u>300,000</u>	<u>300,000</u>
Allotted and called up		
As at 1 April 1998		
7,750,000 (250,000) ordinary shares of 1 pence each	77,500	2,500
Shares issued during the year (see below)	107,962	75,000
Shares cancelled during the year (see below)	(15,982)	-
As at 31 March 1999		
16,948,040 (7,750,000) allotted, called-up and fully paid ordinary shares of 1 pence each	<u>169,480</u>	<u>77,500</u>

During the year ended 31 March 1999 the company issued 10,796,234 (1998: 7,500,000) ordinary shares for a total consideration of £1,079,623 in cash. All shares issued have a nominal value of 1 pence each; 10,796,234 shares were issued at a premium of 9 pence.

Cancellation of share capital

The total debtor for unpaid share capital at the last year end prior to cancellation of share capital amounted to £658,629. This year a total of £283,053 has been collected.

The remaining balance amounting to £375,576, which represents nominal value and 22½ pence premium outstanding on shares issued to A D Porter, although due, is not recoverable and has been written off this debt when the shares were cancelled.

The shares in question were forfeited under the company's Articles of Association. In accordance with Section 146(2) Companies Act 1985, the shares were cancelled and the share capital reduced by the amount of cancellation, being 1,598,194 shares.

The share premium has been reduced by £359,594.

21 Share options

Contingent rights to the allotment of ordinary shares in the company at future dates exist under the terms of the Oasis Healthcare plc Investor Share Option Scheme 1997, and the Oasis Healthcare plc options granted on 5 February 1999.

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Details of options granted under the schemes and outstanding at 31 March 1999 were as follows:

Date options granted	Price	Number of options	Ordinary shares of 1p
25 April 1997	21.5p	*5,000,000	5,000,000
5 February 1999	10p	3,750,000	3,750,000
Total options		8,750,000	8,750,000

* The 5,000,000 options granted on 25 April 1997 under the Investor Share Option Scheme 1997 have lapsed since the year end without any of the options being exercised.

The options granted on 5 February 1999 are exercisable in whole or in part between one and ten years from the date of the grant. At the date of the options being granted, the directors' estimate of the market value of the ordinary shares of the company was 10p, based on prices prevailing for the placing and open offer that took place on that date.

The closing mid-market price of the ordinary shares of the company at 31 March 1999 was 14.5p.

22 Acquisitions

Acquisition of businesses

During the year the trade, goodwill and certain assets of the dental practice of P Holdsworth was acquired by Oasis Dental Care Limited on 1 February 1999.

The assets of the business acquired are set out below:

	Fair value £
Tangible fixed assets	20,000
Total assets	20,000
Goodwill	88,821
	108,821
Satisfied by:	
Cash	87,300
Deferred consideration	11,854
Acquisition expenses	9,667
	108,821

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The deferred consideration is payable upon the achievement of certain turnover targets by the practice. The deferred consideration represents the directors' estimate of the amount that is expected to be payable and is payable on 31 April 2000.

The estimate of the deferred consideration will be revised as further and more certain information becomes available, with corresponding adjustments to goodwill.

The fair value above also represents the directors' estimation of the net book value of the fixed assets acquired with the business. The net book value of these fixed assets could not be accurately ascertained from the dental practices' accounts at the time of purchase.

The purchase of the dental practice has been accounted for using acquisition accounting.

23 Disposal of business

On 12 March 1999 the group sold a dental practice to P B Harris, a former director of the company (note 31), including its fixed assets. The net book value of the assets of the practice sold are set out below:

	Book value
	£
Goodwill	34,039
Tangible fixed assets	20,364
Total assets	54,403
Satisfied by:	
Sales proceeds	36,000
Sales expenses	(4,714)
Loss on disposal	23,117
	54,403

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24 Share premium account and reserves

	Share premium account £	Profit and loss account £
Group		
At 1 April 1998	1,428,015	(401,379)
New share capital issued	971,661	-
Costs of share issue	(24,480)	-
Share premium written-off in year	(359,594)	-
Loss for the year	-	(335,916)
At 31 March 1999	2,015,602	(737,295)
Company		
At 1 April 1998	1,428,015	(367,901)
New share capital issued	971,661	-
Costs of share issue	(24,480)	-
Share premium written-off in year	(359,594)	-
Loss for the year	-	(318,800)
At 31 March 1999	2,015,602	(686,701)

25 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Loss for the financial year	(335,916)	(401,379)
New share capital issued	1,079,623	1,662,500
Shares cancelled in year (note 20)	(375,576)	-
Costs of share issue written off to share premium account	(24,480)	(159,485)
Net addition to shareholders' funds	343,651	1,101,636
Opening shareholders' funds	1,104,136	2,500
Closing shareholders' fund	1,447,787	1,104,136

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26 Reconciliation of net cash flow to movement in net funds

	1999	1998
	£	£
Increase in cash in the year	1,018,660	72,534
Cash outflow from payment of finance leases	2,309	357
Change in net funds resulting from cash flows	1,020,969	72,891
New finance leases	-	(7,673)
Movement in net funds in the year	1,020,969	65,218
Net funds at 1 April 1998	67,718	2,500
Net funds at 31 March 1999	1,088,687	67,718

27 Analysis of net funds

	At 1 April 1998	Cash flow	At 31 March 1999
	£	£	£
Cash	75,034	1,038,291	1,113,325
Overdraft	-	(19,631)	(19,631)
	75,034	1,018,660	1,093,694
Debt:			
Finance leases	(7,316)	2,309	(5,007)
	67,718	1,020,969	1,088,687

28 Major non-cash transactions

The share premium relating to share capital not fully paid up was written-off during the year. Further details of the share premium write-off are set out in note 20.

29 Capital commitments

There was no capital expenditure that had been contracted for but not provided for in the financial statements as at 31 March 1999 (1998: £Nil).

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30 Financial commitments

At 31 March 1999 the group had annual commitments under non-cancellable operating leases as follows:

	1999	1998
	Land and buildings	Land and buildings
	£	£
Expiring between two and five years inclusive	8,000	15,500
Expiring in over five years	19,700	14,200
	<u>27,700</u>	<u>29,700</u>

The company is a guarantor on the Nuneaton property lease held by its subsidiary, Oasis Dental Care Limited. Annual lease rental on this property is £7,000.

31 Related party transactions

On 12 March 1999 the subsidiary company Oasis Dental Care Limited entered into an agreement to dispose of the dental practice of P B Harris, a former director of the company, for sales proceeds of £36,000 (see note 23 for details) to P B Harris. A loss of £23,117 occurred on this disposal. The business was originally purchased from P B Harris on 16 May 1997 for a consideration of £43,587.

Waite Hartley Sheard & Co., Chartered Accountants, have during the course of the year provided to the subsidiary company, Oasis Dental Care Limited, accounting and payroll services on normal commercial terms to the value of £1,872 (1998: £3,790). These services ceased during the year. G Sheard, a former director of the company, is also a partner in Waite Hartley Sheard & Co.

Hi Tec Lifting Limited provided the company with office premises during the course of the year, at a rent of £1,275 (1998: nil). R A Millar and J King, directors of the company, are also directors of Hi Tec Lifting Limited.

A C Leigh (Norwich) Limited provided the company with marketing services during the year to a value of £620 (1998: nil). R A Millar and J King, directors of the company, are also directors of A C Leigh (Norwich) Limited.

Prior to being appointed to the Board, G V Penfold and R C Trenter provided consultancy services to the company amounting to £4,012 and £10,105 respectively.

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During 1998 P B Harris, A D Porter and G Sheard, directors of the company, provided initial consultancy services for the purpose of establishing the group at the beginning of 1998 to the values of £28,925, £12,333 and £28,702 respectively.

Bane Ventures Limited provided the company with management services during the year to a value of nil (1998: £69,755). A D Porter, a director of the company, is also a director of Bane Ventures Limited.

Healthcare Management (UK) Limited provided the company with management services during the year to a value of nil (1998: £20,780). G Sheard, a director of the company, is also a director of Healthcare Management (UK) Limited.

Waite Hartley Sheard & Co., Chartered Accountants provided the company with accounting and management services during the year to a value of nil (1998: £51,753). G Sheard, a director of the company, is also a partner in Waite Hartley Sheard & Co.

J M B Frank, a non-executive director of the company, provided services during the year to 31 March 1998 to a value of £8,675 under a letter of appointment dated 8 September 1997 which provides for remuneration at the rate of £15,000 per annum.

32 Post balance sheet events

Since the balance sheet date, the goodwill and assets of the following dental practices were acquired by the group:

- (i) Birch and Partners of Rochdale (on 1 April 1999)
- (ii) Trevelyan and Bannister of Manchester (on 14 May 1999)
- (iii) Burke and Stainer of Morecambe (on 2 June 1999)
- (iv) West Street Dental Practice of Boston (on 27 July 1999)

Total consideration for the businesses amounted to £760,000.

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CREST notification

To: All the Members of the Company

Notification of a Resolution by the Board of Directors relating to the Proposed CREST Settlement System.

This is to give you notice, in accordance with the Uncertificated Securities Regulations 1995 (the "Regulations") that on 6 June 1999 the Company resolved by a Resolution of its Directors (the "Resolution") that title to the ordinary shares of 1p each in the capital of the Company, in issue or to be issued (the "Shares"), may be transferred by means of a relevant system.

The above notice is the notice that the Company is obliged to give its members, under the Regulations, of the passing of a "directors' resolution" (as defined in the Regulations) in relation to its ordinary shares. The Resolution will enable the Shares to join CREST. The shares have not become transferable by means of the CREST system merely by virtue of the passing of the Resolution. The permission of CREST Co Limited the operator of the relevant system must be given before the Shares can become so transferable. CREST Limited granted permission for the shares concerned to be transferable under the CREST system on x/x/x.

The effect of the Directors' Resolution is to disapply, in relation to the Shares, those provisions of the Company's articles of association that are inconsistent with the holding and transfer of Shares by CREST and any provision of the Regulations as and when the Shares enter the CREST system.

Shareholders should note that, under the Regulations, they have the right by ordinary resolution:

- (b) until the Resolution comes into effect in accordance with its terms, to resolve that it shall not come into effect;
- (c) once the Resolution is effective in accordance with its terms and the permission of CRESTCo Limited has been given to the shares concerned becoming transferable by means of CREST systems, to resolve that the directors of the Company shall take the necessary steps to ensure that title to the shares concerned shall cease to be transferable by means of the CREST system and that the Resolution shall cease to have effect.