

ADP Holdings Limited

Revised directors' report and financial
statements

Registered number 4298115

30 November 2002



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Revised directors' report

The directors present their revised annual report and the audited financial statements for the period ended 30 November 2002. The revised financial statements replace the original revised financial statements for the financial year ended 30 November 2002. The revised financial statements are now the statutory accounts for that year. The revised accounts have been prepared as at 21 September 2004 the date at which the original accounts were approved by the board of directors and not as at the date of the revision and accordingly do not deal with events between those dates. Revised financial statements were prepared due to the fact that there was a transposition error in the original accounts. Administrative expenses on the consolidated profit and loss account should have been £2,785,536 and not £2,790,316, being the amount included in the original financial statements, but all other subtotals in the consolidated profit and loss account were correct. No other amendments were made consequential upon the remedying of this defect. The revised financial statements have been prepared under the Companies (Revision of Defective Accounts & Reports) Regulation 1990

Principal activity

The group's principal activity during the period was dentistry. No change is envisaged by the directors in future periods.

Business activities and review of business

The Company was incorporated on 3 October 2001. This is the first report and Financial Statements prepared by the Company. The Company successfully raised funds during its first period to acquire ADP Dental Company Limited. On 16 January 2002 this acquisition was completed for a gross consideration of £7.5million, most of which was in the form of deferred or contingent consideration. Since the acquisition the Directors have been pleased with the progress made. Significant development has occurred within the trading company with significant investment having been made on the full computerisation of the practices along with restructuring the operational management to bring more commercial focus to the business. Overall the Director's believe the right platform has been established during the first period to allow success with the Company's strategy for growth through acquisition.

Results and dividends

The loss for the period after taxation amounted to £1,640,136.

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the period and their beneficial interests in the company's issued share capital were as follows:

		'A' Ordinary shares of £1 each	
		30 November	1 December
		2002	2001
BKP Chaing	(appointed 15 January 2002; resigned 24 April 2002)	-	60,000
R Flaye	(appointed 15 January 2002)	34,000	30,000
PG Fredericks	(appointed 2 September 2002)	24,000	24,000
JL Heathcote	(appointed 16 January 2002)	-	-
JM Patel	(appointed 15 January 2002)	43,000	35,000
CW Robinson	(appointed 16 January 2002)	-	-
JC Woodbridge	(appointed 15 January 2002)	34,000	30,000

Directors' report *(continued)*

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board



R Knight
Director

59 Reigate Road
Reigate
Surrey
RH2 0QY

16 March 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 company 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London EC4Y 8BB

Independent auditor's report to the members of ADP Holdings Limited

We have audited the revised financial statements on pages 6 to 25. The revised financial statement replace the original financial statements approved by the directors on 21 September 2004. They have been prepared under the Companies (Revision of Defective Accounts & Report) Regulations 1990 ("the Regulations") and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 and as required by paragraph 6 of the Regulations. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for any audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the revised directors' report and, as described on page 3, the revised financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the revised financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 as they have effect under the Regulations.

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of Companies Act 1985 in the respects identified by the directors.

We also report to you if, in our opinion, the revised directors' report is not consistent with the revised 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 with the Company is not disclosed.

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 revised financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the revised financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed. The audit of the revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 revised 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 revised financial statements.

Opinion

In our opinion the revised financial statements give a true and fair view seen as at the date the original financial statements were approved, of the state of affairs of the Company and of the Group as at 30 November 2002 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985 as they have effect under the Regulations. In our opinion the original financial statements for the year ended 30 November 2002 failed to comply with the requirements of the Companies Act 1985 in respects identified by the directors in the statements contained in note 1 to these revised financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

16 March 2005

Consolidated profit and loss account

for the period ended 30 November 2002

	Note	2002 £
Turnover – Acquisitions		7,507,143
Cost of sales – Acquisitions		(5,783,306)
Gross profit		1,723,837
Administrative expenses		(2,785,536)
Other operating income	3	32,587
Operating loss		
Continuing operations		(136,611)
Acquisitions		(892,501)
		(1,029,112)
Interest receivable		10,585
Interest payable	7	(683,640)
Loss on ordinary activities before taxation	4	(1,702,167)
Tax credit on loss on ordinary activities	8	62,031
Loss on ordinary activities after taxation		(1,640,136)
Minority interest		(8,025)
Retained profit for the financial period		(1,648,161)

There are no recognised gains or losses in either the current or previous period other than those included in the profit and loss account.

Consolidated balance sheet

as at 30 November 2002

	Note	£	2002 £
Fixed assets			
Intangible assets	9		9,663,246
Tangible assets	10		2,334,480
Other investments	11		49,000
			12,046,726
Current assets			
Stock	12	148,935	
Debtors	13	657,186	
Cash at bank and in hand		218,983	
		1,025,104	
Creditors: amounts falling due within one year	14	(2,692,912)	
Net current liabilities			(1,667,808)
Total assets less current liabilities			10,378,918
Creditors: amounts falling due after more than one year	15		(11,040,048)
Net liabilities			(661,130)
Capital and reserves			
Called up share capital	18		98,400
Share premium account	19		885,600
Profit and loss account	19		(1,648,161)
Equity shareholders' deficit	20		(664,161)
Minority interest – equity			3,031
Total equity capital employed			(661,130)

These financial statements were approved by the board of directors on its behalf by:

16 March 2005 and were signed on

R Knight
Director



Company balance sheet

at 30 November 2002

	<i>Note</i>	£	2002 £
Fixed assets			
Investments	<i>11</i>		525,940
Other investments	<i>11</i>		49,000
			574,940
Current assets			
Debtors	<i>13</i>	247,071	
Creditors: amounts falling due within one year	<i>14</i>	(21,620)	
			225,451
Net current assets			800,391
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	<i>15</i>		(464,791)
			335,600
Net assets			335,600
Capital and reserves			
Called up share capital	<i>18</i>		98,400
Share premium account	<i>19</i>		885,600
Profit and loss account	<i>19</i>		(648,400)
			335,600
Shareholders' funds – equity	<i>20</i>		335,600

These financial statements were approved by the board of directors on
its behalf by:



R Knight
Director

2005 and were signed on

Consolidated cash flow statement

for the period ended 30 November 2002

Analysis of cash flows

	<i>Note</i>	2002	
		£	£
Net cash outflow from operating activities	22		
Returns on investments and servicing of finance			(164,243)
Interest received		10,585	
Interest paid		(254,233)	
Net cash outflow from returns on investments and servicing of finance			(243,648)
 Capital expenditure and financial investment			
Purchase of intangible fixed assets		(106,005)	
Purchase of tangible fixed assets		(1,043,664)	
Sale of tangible fixed assets		2,750	
Government grants received		144,074	
Net cash outflow for capital expenditure			(1,002,845)
 Acquisition and disposal			
Purchase of subsidiary undertaking		(2,280,424)	
Purchase of shares in associates ²		(66,000)	
Net cash inflow from acquisitions and disposals			(2,346,424)
 Financing			
Issue of ordinary shares		972,000	
Issue of loan notes		3,015,939	
Bank loan repayment		(238,438)	
Net cash inflow from financing	24		3,749,501
Decrease in cash			12,652

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under historical cost accounting rules.

The financial statements have been prepared on the going concern basis, notwithstanding that the group has net current liabilities of £1,097,215 and net liabilities of £661,130 which the directors believe to be appropriate for the following reasons. The directors have reviewed the projected working capital requirements of the group and believe that the group has sufficient funding for the foreseeable future. Furthermore, EAC Fund 111 Limited Partnership and EAC Fund 111 GmbH and Co Betiiligurigs KG have confirmed that it is not their current intention to require repayment of any balances owed by the group, for at least twelve months from signature of the financial statements, except to the extent that such payments can be made while the company continues to settle its trading and non trading liabilities in full as they fall due for payment.

The revised financial statements replace the original financial statements for the financial year ended 30 November 2002. The revised financial statements are now the statutory accounts for that year. The revised financial statements have been prepared as at 21 September 2004 the date at which the original accounts were approved by the board of directors and not as at the date of the revision and accordingly do not deal with events between those dates. Revised financial statements were prepared due to the fact that there was a transposition error in the original accounts. Administrative expenses on the consolidated profit and loss account should have been £2,785,536 and not £2,790,316, being the amount included in the original financial statements, but all other subtotals in the consolidated profit and loss account were correct. No other amendments were made consequential upon the remedying of this defect. The revised financial statements have been prepared under the Companies (Revision of Defective Accounts & Reports) Regulation 1990.

Basis of consolidation

The Group financial statements consolidate the accounts of the Company and all of its subsidiary undertakings. Associates are included under the equity accounting method. The results of subsidiary undertakings and associates acquired or disposed of in the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal.

Investments

Subsidiary undertakings

Shares in subsidiaries are valued at cost less provision for permanent impairment.

Associated undertakings

Investments in associates are stated at the amount of the company's share of net assets. The consolidated profit and loss account includes the company's share of the associated companies' profits after taxation using the equity accounting basis.

Turnover

Turnover comprises the delivery of dental goods and services provided by the company, exclusive of valued added tax and trade discounts.

Notes (continued)

1 Accounting policies (continued)

Goodwill and intangible fixed assets

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Positive goodwill is capitalised and classified as an asset on the balance sheet and is amortised over its estimated economic life, being a period not exceeding 20 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives as follows:

Freehold land and buildings	-	1% straight line
Long-term leasehold land and buildings	-	straight line over the period of the lease
Short-term leasehold land and buildings	-	straight line over the period of the lease
Plant and equipment	-	20% straight line
Motor vehicles	-	20% straight line
Fixtures and fittings	-	20% straight line
Office equipment	-	20% straight line
Computer equipment	-	33.3% straight line

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Taxation

The charge for tax is based on the results for the year and takes into account deferred tax. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen and not reversed by the balance sheet date, except as otherwise required by FRS 19.

Government grants

Grants received to assist with the purchase of fixed assets are amortised over a period to match the life of the assets acquired. Revenue grants are recognised in the profit and loss account in the period in which they are received.

Pensions

The Company makes contributions to the personal pension schemes of certain employees. The amount charged to the profit and loss account is the contributions payable in the period. Differences between contributions payable in the period and those actually paid are shown as accruals or prepayments in the Balance Sheet.

Notes (continued)

1 Accounting policies (continued)

Employee benefit trust

Shares in ADP Holdings Limited held by the Employee Benefit Trust have been included within other fixed asset investments and are stated at cost less provision for any impairment.

2 Turnover

All turnover is derived from the provision of dentistry and ancillary services and arose within the United Kingdom.

The whole of the turnover and profit before taxation from continuing activities and acquired activities is attributable to the principal activity of the company.

3 Other operating income

	Group 2002 £
Government grants	29,174
Sundry income	3,413
	32,587

4 Loss on ordinary activities before taxation

	Group 2002 £
<i>Loss on ordinary activities before taxation is stated after charging</i>	
Amortisation – intangible fixed assets	466,731
Depreciation of tangible fixed assets:	
owned by the group	384,781
Auditors' remuneration	48,369
Operating lease rentals – plant and machinery	2,269
– other operating leases	284,145

Auditors fees for the company were £5,288.

Amounts payable to KPMG LLP and their associates by the company in respect of non-audit services were £276,081, relating to transaction services work.

Notes (continued)

5 Remuneration of directors

	Group 2002 £
Directors' emoluments	379,607
Company pension contributions to money purchase pension schemes	24,512

During the period retirement benefits were accruing to three directors in respect of money purchase pension schemes.

The highest paid director received remuneration of £103,998.

The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £7,680.

6 Staff numbers and costs

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

	Number of employees 2002
Professional and ancillary staff	161
Administration	8
	169

In addition, an average of 53 full time equivalent dentists provided services under self-employed contract.

The aggregate payroll costs of these persons, excluding the self-employed dentists were as follows:

	Group 2002 £
Wages and salaries	2,608,007
Social security costs	186,155
Other pension costs	26,191
	2,820,353

Notes (continued)

7 Interest payable

	Group 2002 £
On bank loans and overdrafts	131,176
On loan notes	552,464
	683,640

8 Taxation

(a) Analysis of tax charge in the period

	2002 £
Tax charge on profit before tax	15,378
Adjustment in respect of prior periods	(1,179)
Total current tax charge	14,199
Deferred tax	(76,230)
Tax on profit on ordinary activities	62,031

(b) Factors affecting the tax charge for the current period

The tax assessed for the period is lower than the standard companies' rate of corporation tax in the UK 30%.
The differences are explained below.

	2002 £
Loss on ordinary activities before tax	(1,702,167)
Current tax at 30%	(510,650)
<i>Effects of:</i>	
Expenses not deductible for tax purposes	64,296
Goodwill amortisation	140,019
Depreciation in excess of capital allowances	114,984
Short term timing differences	49,116
Losses carried forward not recognised	157,613
Prior period adjustments	(1,179)
Current tax charge for period	14,199

(c) Factors affecting the tax charge for future periods

The group has deferred tax assets which have not been recognised in relation to accelerated capital allowances (£9,028), short term timing differences (£49,116) and unrecognised losses carried forward (£157,613).

Notes (continued)

9 Intangible fixed assets

	Goodwill £
Group	
<i>Cost</i>	
Additions	10,129,977
At 30 November 2002	10,129,977
<i>Amortisation</i>	
Charge for the period	466,731
At 30 November 2002	466,731
<i>Net book value</i>	
At 30 November 2002	9,663,246

10 Tangible fixed assets

Group	Land and buildings £	Plant and machinery £	Motor Vehicles £	Furniture, fittings and equipment £	Total £
<i>Cost</i>					
Additions	799,697	1,258,986	8,542	653,291	2,720,516
Disposals	-	-	(1,450)	-	(1,450)
At 30 November 2002	799,697	1,258,986	7,092	653,291	2,719,066
<i>Depreciation</i>					
Charge for period	22,702	274,352	663	86,869	384,586
At 30 November 2002	22,702	274,352	663	86,869	384,586
<i>Net book value</i>					
At 30 November 2002	776,995	984,634	6,429	566,422	2,334,480

At 30 November 2002, included within the net book value of land and buildings is £660,530 relating to freehold land and buildings and £116,465 relating to short term leasehold land and buildings.

Notes (continued)

11 Fixed asset investments

Group	Investments in own shares £		
Cost			
Additions			49,000
Company	Investments in subsidiary undertakings £	Investment in own shares £	Total £
Cost			
Additions	525,940	49,000	574,940

The company's investment in own shares is stated at cost less provision for impairment and represents 49,000 ordinary shares held by an Employee benefit trust. The trust purchase shares from directors who have left the company using funds provided by the company.

Principal subsidiary undertakings are listed in note 30.

12 Stocks

	Group 2002 £
Consumables	135,951
Finished goods and goods for resale	12,984
	148,935

13 Debtors

	Group 2002 £	Company 2002 £
<i>Due after one year</i>		
Other debtors	121,716	100,000
<i>Due within one year</i>		
Trade debtors	352,287	-
Amounts owed by group undertakings	-	135,071
Other debtors	95,028	-
Prepayments and accrued income	76,155	-
Debtor for part paid Ordinary Shares	12,000	12,000
Total debtors	657,186	247,071

Notes (continued)

14 Creditors: amounts falling due within one year

	Group 2002 £	Company 2002 £
Bank loans and overdrafts	233,578	-
Loan notes (refer note 16)	1,000,000	-
Trade creditors	508,204	-
Amounts owed to associates	23,602	-
Corporation tax	4,052	-
Social security and other taxes	68,363	-
Proposed dividends	206,140	-
Other creditors	11,552	7,596
Accruals and deferred income	637,421	14,024
	<u>2,692,912</u>	<u>21,620</u>

15 Creditors: amounts falling due after more than one year

	Group 2002 £	Company 2002 £
Bank loans	1,752,382	-
Loan notes (refer note 16)	8,822,876	-
Other creditors	464,790	464,791
	<u>11,040,048</u>	<u>464,791</u>

Included within the above are amounts falling due as follows:

	Group 2002 £
Between one and two year	
Bank loans	249,223
Loan notes	1,000,000
	<u> </u>
Between two and five years	
Bank loans	852,359
Loan notes	1,000,000
	<u> </u>
Over five years	
Bank loans	650,800
Loan notes	7,822,876
	<u> </u>

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Creditors included amounts not wholly repayable within 5 years as follows:

	Group 2002 £
Repayable by instalments	650,800
Repayable other than by instalments	7,576,201
	8,227,001

The bank loan, which is secured on property owned by certain directors (at the balance sheet date) and additionally secured by a bank debenture carries variable rate interest and is repayable in equal monthly instalments with final instalment due in 2009.

16 Loan notes

	Group 2002 £
'A' loan notes	3,152,499
'B' loan notes	4,853,109
2003 loan notes	1,000,000
2004 loan notes	1,000,000
Less unamortized issue costs	(182,732)
	9,822,876

'A' loan notes were issued to the vendors on acquisition of ADP Dental Company Limited. 'A' loan notes attract interest at 9% per annum compounded sums annually and shall be redeemed at par on the sale of the business, or floatation or other exit.

'B' loan notes become issuable to the EAC (Scotland) (GP3) Limited ("EAC") and attract interest at 9% per annum. On 30 November 2003 these were converted to preference shares at part of a group reorganisation.

2003 loan notes become issuable upon completion of its results to 31 July 2003 depending on earnings before interest, tax, depreciation and amortisation generated by the ADP Dental Company Limited practices which formed the sale to EAC. They are payable six months from issue and interest is payable for any late payment.

2004 loan notes become issuable upon completion of results to 31 July 2004 depending on earnings before interest, tax, depreciation and amortisation generated by the ADP Dental Company Limited practices which formed the sale to EAC. They are payable six months from issue and interest is payable for any late payment.

Notes (continued)

17 Deferred tax asset

	Group 2002 £
Addition on acquisition	76,230
Movement in the year	(76,230)
At 30 November 2002	-

18 Share capital

	2002 £
<i>Authorised</i>	
200,000 'A' Ordinary shares of 10p each	20,000
800,000 'B' Ordinary shares of 10p each	80,000
	100,000
<i>Allotted, called up and fully/part paid</i>	
160,000 'A' Ordinary shares of 10p each fully paid	16,000
24,000 'A' Ordinary shares of 10p each part paid	2,400
800,000 'B' Ordinary shares of 10p each	80,000
	98,400

19 Reserves

Group	Share premium account £	Profit and loss account £
Premium of shares issued during the period	885,600	(1,648,161)
At 30 November 2002	885,600	(1,648,161)

Notes (continued)

20 Reconciliation of movements in shareholders' funds

	2002
Group	£
Loss for the period	(1,648,161)
Shares issued during the period	98,400
Share premium on shares issued (net of expenses)	885,600
Closing shareholders' deficit	(664,161)
Company	2002
	£
Loss for the period	(648,400)
Shares issued during the period	98,400
Share premium on shares issued (net of expenses)	885,600
Closing shareholders' funds	335,600

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The loss for the period dealt with in the accounts of the company was £653,180.

Notes (continued)

21 Acquisitions

Acquisitions during the year were as follows:

January ADP Dental Company Limited

June Dental practice in Sydenham

July Dental practices in Cowley and Cambridge

The acquisitions were accounted for using the acquisitions method

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible fixed assets	1,882,419	(1,882,419)	-
Tangible fixed assets	1,720,873	-	1,720,873
Stock	112,025	-	112,025
Debtors	651,769	-	651,769
Creditors	(1,697,590)	-	(1,697,590)
Net debt	(1,969,930)	-	(1,969,930)
Total net assets acquired	699,566	(1,882,419)	(1,182,853)
Goodwill on consolidation			10,113,942
Purchase consideration and costs of acquisition			8,931,089
Consideration			
Cash			786,155
Deferred consideration			6,650,665
Acquisition expenses			1,494,269

The deferred consideration is payable upon a combination of achievement of turnover targets, the timing of a future substantial change of ownership or the effluxion of time. It is not practical to disclose the pre-acquisition results of the individual practices acquired during the year. For the previous financial year, the profit before taxation of ADP Dental Company Limited was £13,957.

Notes (continued)

22 Reconciliation of operating profit to net cash inflow from operating activities

	Group 2002 £
Operating loss	(1,029,112)
Amortisation of intangible fixed assets	466,731
Depreciation of tangible fixed assets	384,781
Profit on disposal of tangible fixed assets	(1,300)
Government grants	(29,173)
Increase in stocks	(36,910)
Increase in debtors	(2,460)
Increase in creditors	83,200
Net cash outflow from operations	(164,243)

23 Reconciliation of net cash flow to movement in net debt

	2002 £
Increase in cash in the period	12,652
Cash inflow from increase in debt	(2,792,162)
Movement in net debt resulting from cash flows	(2,779,510)
Debt acquired with subsidiary undertakings and business	(2,003,406)
Issue of loan notes for non cash consideration	(6,806,937)
Movement in net debt (closing net debt)	(11,589,853)

Notes (continued)

24 Analysis of changes in net debt

	Cash flow	Other non-cash charges	At 31 December 2002
	£	£	
Cash in hand and at bank	12,652	206,331	218,983
Loan notes			
- amounts falling due within one year			
- amounts falling due after more than one year	(3,015,939)	(6,806,937)	(9,822,876)
Bank loans			
- amounts falling due within one year	(14,661)	(218,917)	(233,578)
- amounts falling due after more than one year	238,438	(1,990,820)	(1,752,382)
Net debt	<u>(2,779,510)</u>	<u>(8,810,343)</u>	<u>(11,589,853)</u>

25 Contingent liabilities

There are no material contingent liabilities that the Directors are aware of.

26 Pension commitments

The Group makes contributions to the personal pension schemes of certain employees. The pension cost charge represents contributions payable by the company to the schemes and amounted to £26,191 (2001: £373). Contributions totalling £7,835 (2001: £nil) were payable to the fund at the balance sheet date.

27 Operating lease commitments

At 30 November 2002 the Group had annual commitments under non-cancellable operating leases as follows:

	2002	
	Land and buildings	Other
	£	£
Operating leases which expire:		
In the first year	9,750	-
In the second to fifth years	45,500	28,275
After more than five years	281,502	-

Notes (continued)

28 Transactions with directors

Dental practitioner directors provide services under an approved associate contract. JC Woodbridge is a director of Paramount Financial Services Ltd., which receives fees for accounting and other professional services, provided to the company including recharged staff costs. £125,873 was payable to the directors in respect of professional services and the amount outstanding at the period end was £6,636.

The group makes rental payments to certain directors in respect of premises used by the group. The rents were independently assessed in September 1999. The leases run for a 10 year period subject to review at the end of 5 years and the tenants' only break clause takes effect at end of the 5 year. The total rent payable for the period to the directors as landlords was £16,471.

The group operated a dental laboratory from premises, which were owned by Messrs J Patel, B Chaing, and a third party until 10 June 2002, when the property was purchased by the group for £95,000 which was the fair market value independently assessed.

One of the directors is also a loan note holder and received interest of £3,549 on the Completion Loan Notes that were repaid during the period, and had interest of £136,479 accrued at the period end on the A loan notes.

29 Related party transactions

During the period 'A' loan notes of £790,400 were repaid at face value and interest of £102,500 was paid on these notes. Loan notes amounting to £555,739 were exchanged for an 'A' Deferred Share (Nominal value £1) at a premium of £555,738 and £234,660 of loan notes were exchanged for a 'B' Deferred share (nominal value of £1) at a premium of £234,659.

Also the entire amount of £979,740 of Completion loan notes were repaid during the period with interest of £20,260 was paid on them. Certain loan note holders provide dental services to ADP Dental Company Limited, and £151,287 was payable in respect of such services. The amount outstanding at the period end was £11,223 rent of £13,912 was also payable to certain of the loan note holders in respect of premises used by ADP Dental Company Limited.

30 Principal subsidiaries

Company name	Country	Percentage shareholding	Description
ADP No.1 Limited	United Kingdom	100	Intermediate holding and finance company
ADP Property Management Limited	United Kingdom	100	Dormant
ADP Dental Company Limited	United Kingdom	100	Principal dental operating company

Notes *(continued)*

31 Ultimate parent undertaking and controlling part

80% of the issued share capital of the company is held by EAC (Scotland) EP3 Ltd on behalf of investors in EAC Fund 111 Limited Partnership and EAC Fund 111 GmbH & Co beteiligings KG. These funds are managed by European Acquisition Capital Limited.

32 Post Balance Sheet Events

On 28 November 2003 the Company issued 9,200,000 'A' Preference shares of £1 each and 204,979 of 'B' Preference shares of £1 each. All these shares were subscribed for by EAC Fund III Limited Partnership. As a consequence of this the 'B' Loan notes have been eliminated thereby reducing the Group's debt by £9,404,979.