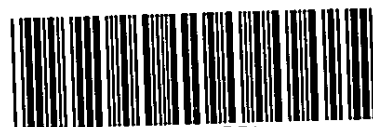


DSEP Parent Acc's
Kennington Dental Care
Limited 07699138

Registration number 05947797

SOUTHERN DENTAL LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2014

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SOUTHERN DENTAL LIMITED

CONTENTS

COMPANY INFORMATION	1
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014	2
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014	4
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN DENTAL LIMITED.	7
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014	9
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014	10
COMPANY BALANCE SHEET AS AT 31 MARCH 2014	11
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014	12
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014.	13

SOUTHERN DENTAL LIMITED

COMPANY INFORMATION

Directors

Dr M Eyumlu (DDS)

Dr A Eyumlu (DDS)

Dr H Shakir (DDS)

Registered Office

Staverton Court

Staverton

Cheltenham

Gloucestershire

GL51 0UX

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

The Portland Building

25 High Street

Crawley

RH10 1BG

Bankers

Santander UK plc

Santander House

100 Ludgate Hill

London

EC4M 7RE

Solicitors

Ashworths Solicitors LLP

The Old Exchange

12 Compton Road

London

SW19 7QD

SOUTHERN DENTAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014

The directors present their strategic report for the year ended 31 March 2014

Business review

Business strategy

Southern Dental owns and manages a chain of dental practices in the UK, focusing in the south-east of England. The group's practices offer a mixture of NHS and private treatment to patients.

Despite a challenging economic environment the group has continued to grow during the year through a mixture of corporate and practice acquisitions and through organic expansion. Our overall revenue mix of 74% NHS and 26% private has enabled us to grow our NHS commitment and at the same time maintain and grow our private income. The group's income continues to be principally from long term fixed NHS contracts with NHS England.

Growth

We are pleased to announce that despite the challenging economic climate we managed to acquire 15 practices during 2013-2014 and successfully merge and integrate them into our platform.

This means we are now the third largest NHS provider in the UK and the largest NHS provider in the South East. Southern Dental is owned, run and managed by a dentist. We understand our patients, our clinicians and our business.

We are pleased to say that Southern Dental will continue its successful growth in 2014-2015 by acquisitions of new practices and by also growing our existing practices as well as setting up new practices in partnership with the NHS.

The results of the group show an increase in turnover to £34,492,551 (2013 £26,419,791), and a normalised EBITDA increase to £8,407,468 (2013 £5,492,253). Normalised EBITDA excludes share option charge of £168,976 and one-off items of £445,475 relating to corporate restructuring costs. The EBITDA was £7,793,017 for the year ended 31 March, 2014 (2013 £5,492,253).

This means that our turnover has increased in 2014 by 31% from the previous year (2013 35%).

Our normalised EBITDA has increased in 2014 by 48% from the previous year (2013 90%).

The increase in normalised EBITDA is mainly down to acquisitions of new practices, increasing turnover in current practices and at the same time controlling costs.

Operating profit for the year was £3,565,605 (2013 £1,910,249).

NHS commitment

We delivered in excess of 99% of our NHS contracts in 2014 at the same time maintaining and further improving our private and hygienist income in a challenging economic environment.

Southern Dental's goal is to continue to be one of the major providers of NHS and private/independent dentistry in the UK. Our strategy is to provide care to all patients, by increasing access to services and reducing health inequalities.

This will only be achieved by delivering high quality dental care which is delivered by a strong clinical team who always put patients' wellbeing in focus.

We are pleased to say that Southern Dental has successfully achieved this and will continue to do so in 2015. We will be working closely with NHS commissioning bodies in 2015 to further increase our commitment to the NHS by increasing contracts in our current practices but also participating in NHS contract tenders and setting up new practices.

Additional services

We continue to be the primary choice for our patients in the UK and we are pleased to say that we have worked closely with the NHS commissioning bodies to increase access for our patients through our practices.

We offer the whole spectra of dental treatments including implants, orthodontics, endodontics, periodontics and sedations. This has enabled us to provide additional services together with sedation, domiciliary and minor oral surgery on behalf of the NHS. We are planning to further increase these services in 2014-2015.

SOUTHERN DENTAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014 (continued)

Investing in quality and compliance

We worked closely with the Care Quality Commission ("CQC") during 2014 to make sure that we are providing dentistry to a standard defined as "Best Practice". This does mean continuing to improve processes and procedures, training of clinical staff and support staff but also upgrading of surgeries, equipment and decontamination rooms.

We have continued to invest in our practices for compliance but also to continue providing high quality dental care in superb facilities. We have worked closely with the CQC and we have shown good levels of overall compliance. We have ensured that the processes and procedures are all applied across all our practices to ensure the level of compliance and quality in order to maintain high quality dentistry being delivered in a safe environment.

We value the opinion of our patients and workforce and by listening to them we continue to tailor service well suited for our patients' needs at the same time offering our personnel a great place to work.

Key performance indicators

As noted above, one of the key performance indicators ("KPI's") which the directors and other stakeholders monitor is EBITDA. This is reviewed in absolute terms and in relation to budgeted and prior year comparatives.

Other KPI's used by the company include the following:

- Staff retention percentages,
- Dentist retention percentages, and
- NHS activity performance against target.

The directors consider these ratios to be commercially sensitive and as a consequence details are not disclosed with this report.

The KPIs set in the table below are very important to Southern Dental and reflect the focus around drivers for our management team that will ensure achievement of Southern Dental's business plan, objective and strategic aims.

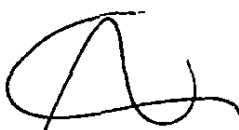
	Year ended March 2014 £million's	Year ended March 2013 £million's
NHS revenue	25	21
Private revenue	9	5
Total revenue	34	26
Gross profit	19	14
Normalised EBITDA	8	6
Net bank debt	28	21

Principal risks and uncertainties

The principal risks and uncertainties for the business are in relation to fluctuations in interest rates and major changes to the central NHS contract.

The risk associated with interest rate fluctuations has been mitigated by interest rate swaps on the bank loan funding. The NHS contract for dentists in England and Wales, introduced in April 2006, provides clear benefits to the group in terms of income visibility and dentist retention. However, as with any system there are likely to be modifications to it. The extent of such modifications and the impact which they may have on the group, either in a favourable or adverse manner, are not known.

Approved by the Board on 8 July, 2014, and signed on its behalf by



Dr M Eyrumlu (DDS)
Director

SOUTHERN DENTAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2014

Directors of the company

The directors who held office during the year and up to the date of approval of these financial statements were as follows

Dr M Eyrumlu (DDS)
Dr A Eyrumlu (DDS)
Dr H Shakir (DDS)

Principal activity

The principal activity of the company during the year was to act as a holding company. The principal activity of the group of companies owned by Southern Dental Limited ("the group") is the operation of dental practices.

The group provides a range of NHS and private dental services from practices located in Southern England.

Clinical standards

The clinical directors have a formal organisational structure to allow clinical policies and procedure to be developed and ensure day to day compliance monitoring. The three directors who are dentists are involved as part of recruitment, induction and monitoring of the clinical staff. We believe by doing this we will not only engage with the best clinical professionals but also ensure that we have clinicians with the suitable skills to suit the needs for the patients in each practice/area.

Our people

We pride ourselves on being one of the few larger dental corporates run by dentists.

Southern Dental is grateful to have a great team of high quality and hardworking dentists, hygienists, nurses, receptionists, managers and support staff.

We would like to, on behalf of Southern Dental, continue to thank all our dentists, hygienists, practice staff and support staff for making sure that we did deliver our NHS contracts to the set targets meanwhile maintaining high quality dentistry in compliant and safe areas for our patients.

We will continue investing in our people to make sure that we provide the best outcomes to all our patients and we believe that we can continue to offer career opportunities for our existing and new clinicians and support staff.

We continue to engage with our dentists and other clinical staff by providing them induction, audits, hands on training and through continuing professional development to ensure quality of our services. By providing our practice with a strong and robust support structure this will enable our dentists and other clinical staff to do what they do best - providing high quality dental care at all times.

Financial Instruments

Objectives and policies

The group uses various financial instruments in the form of cash, third party bank debt and other items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks which are described in more detail below.

SOUTHERN DENTAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

Financial Instruments (continued)

Financial risk management

The main risks arising from the group's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the previous year.

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short-term flexibility is achieved by use of overdraft facilities.

The group finances its operations largely through bank borrowings. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations. The nature of the group's contract with the PCT means that credit risk is minimised for a significant proportion of the group's revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the group. Payment is also requested in advance for major courses of private treatment.

Dividends

The board does not recommend the payment of a dividend (2013 £nil)

Summary

Southern Dental remains fully committed as a major partner in terms of delivery of NHS contracts across the UK. Southern Dental has shown repeatedly over many years that it has been able to grow and perform well and we are confident that we will continue to do so.

Good oral health is important as part of general health and wellbeing and we believe that our network of practices are offering our patients the care they need suited to their clinical needs with a preventive approach. We are proud of what Southern Dental has achieved to date and we are confident that with the continued hard work of our dental and support team we can enable 2015 to be another year of success in our history.

Charitable and political donations

The group has made no charitable or political donations in the year (2013 £nil)

Disclosure of information to the auditors

Each Director in office at the date the Directors' report is approved confirms that

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Appointment of auditors

A resolution to reappoint PwC LLP as the company's auditors will be proposed at the annual general meeting.

Going concern

The directors believe that preparing the accounts on a going concern basis is appropriate. The group is financed by term loans and revolving loan facilities provided by its bankers which are subject to covenants tested on a quarterly basis. The group meets its bank loan and other obligations through the generation of working capital from its day to day operations. The directors have considered the working capital generation of the group for a period of 12 months from the date of approval of the financial statements and consider this generation to be sufficient for the company to meet its bank loan and other obligations together with bank loan covenants compliance. On this basis the directors have concluded that they have a reasonable expectation that the group will continue in operational existence for the foreseeable future and therefore continue to apply the going concern basis in the preparation of the annual financial statements.

SOUTHERN DENTAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

Post balance sheet event

On 17 April 2014 and 9 May 2014, the group completed the purchase of Market Place Dental Practice Limited and Smile Style Limited for a total consideration of £1,500,000 and £1,175,000, respectively

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 and the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 8 July, 2014, and signed on its behalf by



Dr M Eyrumlu (DDS)
Director

SOUTHERN DENTAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN DENTAL LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2014 and of the group's profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Southern Dental Limited, comprise

- the Consolidated and Company Balance Sheet as at 31 March 2014,
- the Consolidated Profit and Loss account for the year then ended,
- the Consolidated Cash Flow Statement for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

SOUTHERN DENTAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN DENTAL LIMITED (CONTINUED)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of the directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Michael Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
8 July 2014

SOUTHERN DENTAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

	Note	Year ended 31 March 2014		Year ended 31 March 2013	
		£	£	£	£
Turnover					
Continuing operations			32,377,580		26,419,791
Acquisitions			2,114,971		-
Group turnover			34,492,551		26,419,791
Cost of sales	2		(15,710,928)		(12,191,514)
Gross profit			18,781,623		14,228,277
Administrative expenses	2		(15,345,724)		(12,416,873)
Other operating income	2		129,706		98,845
Operating profit	3				
Continuing operations		3,429,552		1,910,249	
Acquisitions		136,053		-	
Group operating profit			3,565,605		1,910,249
Interest receivable and similar income	6		6,562		2,520
Interest payable and similar charges	7		(1,609,804)		(750,470)
Profit on ordinary activities before taxation			1,962,363		1,162,299
Tax on profit on ordinary activities	8		(529,102)		(276,235)
Profit for the financial year	20		1,433,261		886,064

The group has no recognised gains or losses for the year other than the results above and therefore no separate statement of recognised gains and losses has been presented


There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above, and their historical cost equivalents

SOUTHERN DENTAL LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014

		31 March 2014 £	31 March 2013 £
Fixed assets	Note		
Intangible assets	9	31,065,940	22,607,131
Tangible assets	10	4,861,081	4,514,581
		<u>35,927,021</u>	<u>27,121,712</u>
Current assets			
Stocks	12	160,392	82,125
Debtors	13	3,078,892	1,886,714
Cash at bank and in hand		2,051,081	674,461
		<u>5,290,365</u>	<u>2,643,300</u>
Creditors Amounts falling due within one year	14	(7,318,075)	(5,740,206)
Net current liabilities		<u>(2,027,710)</u>	<u>(3,096,906)</u>
Total assets less current liabilities		33,899,311	24,024,806
Creditors Amounts falling due after more than one year	15	(28,403,145)	(20,212,528)
Provisions for liabilities	17	(266,271)	(185,620)
Net assets		<u>5,229,895</u>	<u>3,626,658</u>
Capital and reserves			
Called up share capital	19	2,000	1,000
Share premium account	20	3,957,516	3,957,516
Other reserves	20	168,976	-
Profit and loss account	20	1,101,403	(331,858)
Total shareholders' funds	21	<u>5,229,895</u>	<u>3,626,658</u>

The financial statements on pages 9 to 29 were approved by the Board of directors on 8 July 2014 and signed on its behalf by



Dr M Eyumid (DDS)
Director

SOUTHERN DENTAL LIMITED
(REGISTERED NUMBER: 05947797)

COMPANY BALANCE SHEET
AS AT 31 MARCH 2014

		31 March 2014 £	31 March 2013 £
Fixed assets	Note		
Tangible assets	10	456,554	383,438
Investments	11	5,086,613	1,229,980
		<u>5,543,167</u>	<u>1,613,418</u>
Current assets			
Stock	12	57,327	-
Debtors	13	18,645,664	18,909,925
Cash at bank and in hand		1,650,919	421,407
		<u>20,353,910</u>	<u>19,331,332</u>
Creditors: Amounts falling due within one year	14	(3,227,995)	(3,214,233)
Net current assets		<u>17,125,915</u>	<u>16,117,099</u>
Total assets less current liabilities		<u>22,669,082</u>	<u>17,730,517</u>
Creditors: Amounts falling due after more than one year	15	(28,394,555)	(20,204,937)
Provisions for liabilities	17	(19,887)	(14,166)
Net liabilities		<u>(5,745,360)</u>	<u>(2,488,586)</u>
Capital and reserves			
Called up share capital	19	2,000	1,000
Share premium account	20	3,957,516	3,957,516
Other reserves	20	168,976	-
Profit and loss account	20	(9,873,852)	(6,447,102)
Total shareholders' deficit	21	<u>(5,745,360)</u>	<u>(2,488,586)</u>

The financial statements on pages 9 to 30 were approved by the Board of directors on 8 July 2014 and signed on its behalf by



Dr M Eyrumlu (DDS)
Director

SOUTHERN DENTAL LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

		Year ended 31 March 2014	Year ended 31 March 2013
	Note	£	£
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		3,565,605	1,910,249
Depreciation, amortisation and impairment charges		4,227,393	3,566,812
Share option charges		168,976	-
Increase in stocks		(43,881)	(17,492)
Increase in debtors		(726,585)	(598,581)
Decrease/(increase) in creditors		69,680	(982,958)
Net cash inflow from operating activities		7,261,188	3,878,030
Returns on investments and servicing of finance			
Interest received		6,563	2,520
Finance lease interest		(40,592)	(23,426)
Bank interest paid		(1,569,212)	(727,044)
		(1,603,242)	(747,950)
Taxation			
Corporation tax paid		(418,473)	(6,076)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(896,403)	(1,193,515)
Proceeds on disposal of tangible fixed assets		-	3,216
		(896,403)	(1,190,299)
Acquisitions and disposals			
Purchase of subsidiary undertaking		(3,658,824)	(874,073)
Cash acquired on purchase of subsidiary undertaking		26,649	(43,598)
Purchase of businesses		(6,422,314)	(5,733,659)
Acquisition expenses		(477,654)	(257,272)
		(10,532,143)	(6,821,406)
Net cash outflow before management of liquid resources and financing		(6,189,073)	(4,887,701)
Financing			
Value of new loans obtained during the year		10,022,050	6,602,382
Repayment of loans and borrowings		(2,370,671)	(623,766)
Repayment of capital element of finance lease contracts		(70,094)	(131,273)
Decrease in directors current account		(42,241)	(63,253)
		7,539,044	5,784,090
Increase in cash	24	1,349,971	896,389

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Going concern

At 31 March 2014 the group has net current liabilities of £2,028,710 (2013: £3,096,906). The group is financed by term loans and revolving loan facilities provided by its bankers which are subject to covenants tested on a quarterly basis. The group meets its bank loan and other obligations through the generation of working capital from its day to day operations. The directors have considered the working capital generation of the group for a period of 12 months from the date of approval of the financial statements and consider this generation to be sufficient for the company to meet its bank loan and other obligations together with bank loan covenants compliance. On this basis the directors have concluded that they have a reasonable expectation that the group will continue in operational existence for the foreseeable future and therefore continue to apply the going concern basis in the preparation of the annual financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2014.

Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the group profit and loss account and statement of cash flows include the results and cash flows of subsidiaries from the date of acquisition and to the date of sale outside the group in the case of disposals of subsidiaries. The date of acquisition and disposal is determined as the date of which control passes to or from the company.

Accounting policies have been applied uniformly across the group and intercompany trading and balances are eliminated on consolidation.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its loss for the financial year was £3,426,750 (2013: £1,965,665).

Turnover

Turnover represents the income received in the ordinary course of business for dentistry goods or services provided to the extent that the group has obtained the right to consideration. Turnover derived from NHS contracts is recognised on the volume of dental activity delivered in the financial period. Turnover from all private dental work is recognised on the completion of each piece of treatment carried out.

Goodwill

Goodwill is the excess of the fair value of consideration given over the aggregate of the fair value of the entity's identifiable assets and liabilities acquired. The resulting goodwill is written off in equal instalments over the estimated useful economic life of the underlying asset.

Fixed assets and depreciation

Fixed assets are recorded at their purchase price together with any incidental costs of provision less depreciation and where applicable impairment charges.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful life as follows:

Short leasehold improvements	Straight line over the life of the lease
Plant and machinery	Straight line over a period of 10 years
Fixtures, fittings and equipment	Straight line over a period of 10 years
Office equipment	Straight line over a period of 5 years
Motor vehicles	25% reducing balance

Stocks

Stock is valued at the lower of cost and net realisable value. Provision is made where necessary for obsolete, slow moving or defective stock.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)**

1 Accounting policies (continued)

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful economic lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over their useful economic lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding

Financial Instruments

Financial Instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account. Issue costs are accounted for as a deduction from the amount of the consideration received and amortised over the instrument's life

Pensions

The group operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provisions for impairment

Intangible fixed assets – goodwill

Goodwill arising on acquisitions, representing the excess of the fair value of the consideration given over the fair value of the separable net liabilities acquired, is capitalised and amortised over its useful economic life

Share options

As detailed in note 18 to these financial statements, certain of the company's employees are awarded shares or share options. Where it is necessary to estimate the fair value of an option or share awarded, the Black-Scholes method has been used. The related assumptions are outlined in notes to these financial statements. The fair value of the award at the date of grant is charged to the profit and loss account over the vesting period. At each balance sheet date, the company revises its estimates to the number of options that are expected to vest. It recognises the impact of the revision to the original estimates, if any, in the profit and loss account with a corresponding adjustment to equity

Partnerships and Trust Deeds

Certain members of group management have joined partnerships or act on behalf of the group in the acquisition of the trade and assets of certain businesses. Group management holds their interest under a Trust Deed on behalf of group companies. All trading under these arrangements are included in the consolidated financial statements to reflect the substance of these arrangements

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

2 Cost of sales and operating expenses

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Cost of sales		
Continuing operations	14,684,032	12,191,514
Acquisitions	1,026,896	-
	<u>15,710,928</u>	<u>12,191,514</u>
Administrative expenses		
Continuing operations	14,393,702	12,416,873
Acquisitions	952,022	-
	<u>15,345,724</u>	<u>12,416,873</u>
Other operating income		
Continuing operations	(129,706)	(98,845)
Acquisitions	-	-
	<u>(129,706)</u>	<u>(98,845)</u>

3 Operating profit

Operating profit is stated after charging

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Operating leases – other assets	1,323,099	1,090,717
Depreciation of tangible fixed assets		
-Under finance leases	44,409	56,584
-Owned assets	822,111	509,605
Amortisation of goodwill	3,360,873	2,615,815
Impairment of goodwill	-	400,000
Auditors' remuneration	66,480	50,400

Included within operating profit are bank arrangement fees of £167,139 (2013 £46,500) following a restructuring of finance

4 Services provided by the company company's auditors

During the year the group obtained the following services from the company's auditors

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Fees payable for the audit	56,480	40,500
Fees payable for other services – tax compliance	10,000	10,000
Fee payables for tax advisory services	269,710	-

£11,500 (2013 £11,500) of the fee for auditing the financial statements relates to the company

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

5 Employees and directors

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

	Year ended 31 March 2014 No.	Year ended 31 March 2013 No.
Practice	348	191
Administration	37	32
	<u>385</u>	<u>223</u>

The aggregate payroll costs were as follows

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Wages and salaries	5,558,534	4,516,180
Social security costs	431,838	336,644
Other pensions cost	8,795	5,560
Employee share scheme	168,976	-
	<u>6,168,143</u>	<u>4,858,384</u>

The directors' remuneration for the year was as follows

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Remuneration (including benefits in kind)	<u>467,595</u>	<u>326,961</u>

The total remuneration (including benefits in kind) of the highest paid director is £203,075 (2013- £161,778)

6 Interest receivable and similar income

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Bank interest receivable	<u>6,562</u>	<u>2,520</u>

7 Interest payable and similar charges

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Interest on bank borrowings	1,569,212	727,044
Finance charges	40,592	23,426
Group interest payable and similar charges	<u>1,609,804</u>	<u>750,470</u>

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

8 Tax on profit on ordinary activities

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Current tax		
Corporation tax charge	457,724	195,284
Adjustments in respect of previous years	(12,114)	-
UK Corporation tax	445,610	195,284
Deferred tax		
Origination and reversal of timing differences	(19,015)	80,951
Deferred tax adjustment relating to previous years	102,507	-
Group deferred tax	83,492	80,951
Total tax on profit on ordinary activities	529,102	276,235

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 23% (2013 24%). The differences are reconciled below

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Profit on ordinary activities before taxation	1,962,363	1,162,299
Corporation tax at standard rate	451,344	278,951
Short term timing difference	19,015	(80,951)
Non deductible expenses	65,289	66,506
Adjustments for prior periods	(12,114)	-
Utilisation of tax losses	(77,924)	(69,222)
Total current tax	445,610	195,284

Factors affecting future tax charges

The UK Government has announced a staged reduction in the main rate of corporation tax. The main rate of corporation tax was reduced from 24% to 23% from 1 April 2013, down to 21% from 1 April 2014 and will be reduced to 20% from 1 April 2015.

As a result of this, a rate of 23% has been used to calculate tax payable on taxable income in the year. Deferred tax assets and liabilities have been calculated based on a rate of 20%.

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

9 Intangible fixed assets

Group

	Goodwill on unincorporated dental practices £	Goodwill on incorporated dental practices £	Total £
Cost			
At 1 April 2013	29,382,805	1,173,557	30,556,362
Additions	6,965,374	4,854,308	11,819,682
At 31 March 2014	36,348,179	6,027,865	42,376,044
Accumulated amortisation			
At 1 April 2013	7,888,436	60,795	7,949,231
Charge for the year	3,103,726	257,147	3,360,873
At 31 March 2014	10,992,162	317,942	11,310,104
Net book value			
At 31 March 2014	25,356,017	5,709,923	31,065,940
At 31 March 2013	21,494,369	1,112,762	22,607,131

Satisfied by:						
	Date of acquisition	Net assets/ (liabilities) acquired £	Cash £	Deferred consideration £	Cost of acquisitions £	Positive goodwill £
New Image Dental Care	14 Nov 2013	(80,962)	623,577	-	32,670	737,209
Clevedon Dental Care	7 Feb 2014	(36,627)	486,172	-	22,364	545,163
Elta Dental Care	14 Nov 2013	(1,034)	409,477	-	22,740	433,251
Williams Dental Care	11 Dec 2013	427	560,427	30,000	36,527	626,527
Norwood Dental Care	7 Nov 2013	47,768	402,766	30,000	29,768	414,766
Easy Smile Dental Care	17 Dec 2013	(13,978)	738,022	-	14,625	766,625
Snodland Dental Care	31 Jan 2014	2,033	362,033	-	17,843	377,843
Unique Dental Care	14 Nov 2013	64,027	1,213,025	-	33,030	1,182,028
Cowley & Associates	19 Dec 2013	(17,957)	857,042	-	24,087	899,086
Yeovil Dental Care	9 Dec 2013	(140,228)	769,772	-	37,791	947,791
		(176,531)	6,442,313	60,000	271,445	6,930,289

Included within goodwill additions during the year is £35,085 (2013 £321,369) in respect of contingent consideration paid

No significant fair value adjustments have been made to the book value of assets at acquisition as the directors consider the fair value to represent book value

The results of the unincorporated businesses to the date of acquisition and for the previous financial year are not available

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

9 Intangible fixed assets (continued)

During the year the company acquired the entire share capital of the companies detailed below. The net assets/(liabilities) acquired and consideration payables were as follows

	Dale Road Oral Care Limited	Halton House Dental Centre Limited	Moat Road Dental Care Limited	Taghi & Kia Limited	Year ended 31 March 2014
Acquisition date	20/12/2013	20/12/2013	31/3/2014	10/12/2013	Total
Net assets/(liabilities) acquired	£	£	£	£	£
Tangible fixed assets	29,002	5,231	40,565	37,787	112,585
Stocks	-	9,789	13,364	9,935	33,088
Debtors	28,089	12,917	44,108	327,524	412,638
Cash at bank and in hand	-	26,549	-	100	26,649
Creditors amounts falling due within one year	(342,909)	(152,778)	(153,528)	(370,845)	(1,020,060)
Creditors amounts falling due after more than one year	-	-	-	(562,575)	(562,575)
	(285,818)	(98,292)	55,491	(558,074)	(997,675)
Satisfied by					
Cash consideration	985,179	487,477	1,720,000	377,767	3,570,423
Costs of acquisition	39,700	54,074	36,343	76,093	206,210
	1,024,879	541,551	1,756,343	453,860	3,776,633
Purchased goodwill	1,310,697	639,843	1,811,834	1,011,934	4,774,308

Included within goodwill additions during the year is £80,000 (2013 £nil) in respect of contingent consideration payable

The fair value adjustments will be finalised in the 2015 financial statements when the detailed acquisition investigation has been completed

The unaudited results to the date of acquisitions and for the previous financial year were as follows

	Dale Road Oral Care Limited		Halton House Dental Centre Limited		Moat Road Dental Care Limited		Taghi & Kia Limited	
	10 months ended	Year ended	3 months ended	Year ended	Year ended	Year ended	8 months ended	Year ended
	20/12/13	28/02/13	20/12/13	30/9/13	31/3/14	31/3/13	9/12/13	31/3/13
	£	£	£	£	£	£	£	£
Turnover	481,190	709,003	140,117	527,357	1,290,974	1,223,899	57,999	30,000
Operating profit/(loss)	127,433	283,380	(185,630)	163,359	317,960	317,038	15,772	23,547
Profit/(loss) before tax	(86,351)	210,717	(190,137)	157,612	311,711	311,586	(1,826)	4,259
Tax charge/(credit)	(16,156)	43,453	(7,089)	30,141	61,886	51,192	-	-
Profit/(loss) after tax	(70,195)	167,264	(183,048)	127,471	249,825	362,778	(1,826)	4,259

As the acquired subsidiaries accounting policies are materially aligned with the group's accounting policies no adjustments were required to be processed

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

10 Tangible fixed assets

	Short leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Office equipment £	Total £
Cost						
At 1 April 2013	669,058	692,593	4,099,956	15,115	861,106	6,337,828
Additions	32,339	229,137	412,012	16,393	280,351	970,232
Acquisitions	-	102,370	140,418	-	-	242,788
At 31 March 2014	701,397	1,024,100	4,652,386	31,508	1,141,457	7,550,848
Accumulated depreciation						
At 1 April 2013	332,402	61,781	1,118,081	2,098	308,885	1,823,247
Charge for the year	70,666	168,142	432,667	9,243	185,802	866,520
At 31 March 2014	403,068	229,923	1,550,748	11,341	494,687	2,689,767
Net book value						
At 31 March 2014	298,329	794,177	3,101,638	20,167	646,770	4,861,081
At 31 March 2013	336,656	630,812	2,981,875	13,017	552,221	4,514,581

Included in acquisitions is £130,203 which was part of the net assets acquired from unincorporated dental practices

Leased assets

Included within the net book value of tangible fixed assets is £162,381 (2013 £399,122) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £39,844 (2013 £56,584)

Company

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2013	445,547	54,068	15,115	514,730
Additions	169,332	14,362	16,393	200,087
At 31 March 2014	614,879	68,430	31,508	714,817
Accumulated depreciation				
At 1 April 2013	110,922	18,271	2,099	131,292
Charge for the year	111,422	6,307	9,242	126,971
At 31 March 2014	222,344	24,578	11,341	258,263
Net book value				
At 31 March 2014	392,535	43,852	20,167	456,554
At 31 March 2013	334,625	35,797	13,016	383,438

Leased assets

Included within the net book value of tangible fixed assets is £74,286 (2013 £41,392) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £18,262 (2013 £41,392)

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

11 Investments

Company

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Shares in group undertakings	5,086,613	1,229,980

Shares in group undertakings and participating interests

	Subsidiary undertakings £
Cost	
At 1 April 2013	1,229,980
Additions	3,856,633
At 31 March 2014	5,086,613

Details of group undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows

	Registration number		Proportion of voting rights and shares held	Principal activity
Subsidiary undertaking		Holding		
Hollybush Dental Care Limited	06378203	Ordinary	100%	Dental services
Tilgate Dental Care Limited	06378140	Ordinary	100%	Dental services
Northgate Dental Care Limited	06378091	Ordinary	100%	Dental services
Creekside Dental Care Limited	06378105	Ordinary	100%	Dental services
Little London Dental Care Limited	06378123	Ordinary	100%	Dental services
Horsham Dental Care Limited	06378127	Ordinary	100%	Dental services
Maidstone Dental Care Limited	06377934	Ordinary	100%	Dental services
Holborough Dental Care Limited	06378115	Ordinary	100%	Dental services
Southsea Dental Care Limited	06594490	Ordinary	100%	Dental services
Peckham Dental Care Limited	06378099	Ordinary	100%	Dental services
Gentle Dental & Implant Care Limited	06393444	Ordinary	100%	Dental services
Stone Cross Dental Care Limited	06378541	Ordinary	100%	Dental services
Charlton Dental Care Limited	06378569	Ordinary	100%	Dental services
Paulsgrove Dental Care Limited	07172257	Ordinary	100%	Dental services
Corby Dental Care Limited	07215476	Ordinary	100%	Dental services
Hilsea Dental Care Limited	07172339	Ordinary	100%	Dental services
Portsea Dental Care Limited	07172390	Ordinary	100%	Dental services
Wellsbourne Dental Care Limited	07340006	Ordinary	100%	Dental services
Bradlaw House Dental Care Limited	07277351	Ordinary	100%	Dental services
Church Hill Dental Care Limited	07338979	Ordinary	100%	Dental services
Crowborough Dental Care Limited	07463028	Ordinary	100%	Dental services
Diplomat Dental Care Limited	07338978	Ordinary	100%	Dental services
Direct Dental Care Limited	07253830	Ordinary	100%	Dental services
Steyning Dental Care Limited	07277371	Ordinary	100%	Dental services

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

11 Investments (continued)

	Registration number		Proportion of voting rights and shares held	Principal activity
Subsidiary undertaking		Holding		
Welldene Dental Care Limited	06796271	Ordinary	100%	Dental services
Allington Dental Care Limited	07451761	Ordinary	100%	Dental services
Buntingford Dental Care Limited	07699161	Ordinary	100%	Dental services
Cambourne Dental Care Limited	07544242	Ordinary	100%	Dental services
Gayton Road Dental Care Limited	07484202	Ordinary	100%	Dental services
Gravesend Dental Care Limited	07484310	Ordinary	100%	Dental services
Kennington Dental Care Limited	07699138	Ordinary	100%	Dental services
Lowestoft Dental Care Limited	07544348	Ordinary	100%	Dental services
Manor Dental Care Limited	07450363	Ordinary	100%	Dental services
Best Practice CDA Limited	07110957	Ordinary	100%	Dental services
South Down Dental Care Limited	07699136	Ordinary	100%	Dental services
Stoke Newington Dental Care Limited	07699169	Ordinary	100%	Dental services
Southern Dental Partnerships Limited	07451783	Ordinary	100%	Dental services
R G Matthey Limited	06737373	Ordinary	100%	Dental services
Dale Road Oral Care Limited	07167177	Ordinary	100%	Dental services
Halton House Dental Centre Limited	06372475	Ordinary	100%	Dental services
Moat Road Dental Care Limited	06486257	Ordinary	100%	Dental services
Preston Park Dental Care Limited	06378536	Ordinary	100%	Dental services
Tollgate Dental Care Limited	07450354	Ordinary	100%	Dental services
Tooth Smart Dental Care Limited	07463056	Ordinary	100%	Dental services
Totton Dental Care Limited	07544338	Ordinary	100%	Dental services
Vicarage Lane Dental Care Limited	07699141	Ordinary	100%	Dental services
Walworth Road Dental Care Limited	07545393	Ordinary	100%	Dental services
Well Street Dental Care Limited	07544345	Ordinary	100%	Dental services
West Hill Dental Practice Limited	05248356	Ordinary	100%	Dental services
Taghi & Kia Limited	06152573	Ordinary	100%	Dental services

All subsidiary undertakings within the group have been consolidated in these financial statements

Under section 479A of the Companies Act 2006 all the above companies have taken the exemption in relation to the audit of financial statements

The directors believe that the carrying value of the investments is supported by their underlying net assets

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

12 Stocks

	31 March 2014 £	Group 31 March 2013 £	31 March 2014 £	Company 31 March 2013 £
Dental stocks and goods for resale	160,392	82,125	57,327	-

13 Debtors

	Group 31 March 2014 £	31 March 2013 £	Company 31 March 2014 £	31 March 2013 £
Trade debtors	1,947,188	1,650,930	-	-
Amounts owed by group undertakings	-	-	17,933,708	18,558,936
Other debtors	784,303	102,166	652,553	326,247
Prepayments and accrued income	347,401	133,618	59,403	24,742
	3,078,892	1,886,714	18,645,664	18,909,925

14 Creditors Amounts falling due within one year

	31 March 2014 £	Group 31 March 2013 £	31 March 2014 £	Company 31 March 2013 £
Trade creditors	819,744	645,864	819,744	645,864
Bank loans and overdrafts (note 16)	1,512,226	1,310,354	1,512,226	1,310,786
Obligations under finance lease and hire purchase contracts (note 16)	68,461	39,465	58,685	39,465
Corporation tax	482,999	236,465	-	-
Other taxes and social security	134,216	91,111	134,216	24,782
Other creditors	2,686,567	2,513,125	208,646	-
Directors' current accounts	130,273	172,514	130,273	172,514
Accruals and deferred income	1,483,589	731,308	364,205	209,082
	7,318,075	5,740,206	3,227,995	3,214,233

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

15 Creditors' Amounts falling due after more than one year

	31 March 2014 £	Group 31 March 2013 £	31 March 2014 £	Company 31 March 2013 £
Bank loans and overdrafts (note 16)	28,303,524	20,116,207	28,303,524	20,116,207
Obligations under finance lease and hire purchase contracts (note 16)	99,621	96,321	91,031	88,730
	28,403,145	20,212,528	28,394,555	20,204,937

16 Bank and other borrowings

	31 March 2014 £	Group 31 March 2013 £	31 March 2014 £	Company 31 March 2013 £
Within one year	1,512,226	1,310,354	1,512,226	1,310,786
After one year but less than five years	28,303,524	7,004,302	28,303,524	7,004,302
After more than five years	-	13,111,905	-	13,111,905
	29,815,750	21,426,561	29,815,750	21,426,993

Bank loans are secured by a fixed and floating charge over the assets of the group and company and are subject to multilateral guarantees between all group companies

The group and company has contracted to interest rate swaps concerning the base rate applicable to the group's and company's bank loans. An interest rate swap is an agreement between two parties to exchange fixed and floating interest payments, based upon interest rates defined in the contract, without the exchange of the underlying principal amounts

Obligations under finance leases and hire purchase contracts

Amounts repayable:

	31 March 2014 £	Group 31 March 2013 £	31 March 2014 £	Company 31 March 2013 £
In one year or less or on demand	68,461	39,465	58,685	39,465
After one year but less than five years	99,621	37,461	91,031	36,921
After more than five years	-	58,860	-	51,809
	168,082	135,786	149,716	128,195

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

17 Provisions for liabilities

Group

	Deferred tax £	Total £
At 1 April 2013	185,620	185,620
Charged to the profit and loss account	83,492	85,788
Acquired deferred tax asset	(2,841)	(2,840)
At 31 March 2014	266,271	268,568

Analysis of deferred tax

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Accelerated capital allowances	266,271	185,620

Company

	Deferred tax £	Total £
At 1 April 2013	14,166	14,166
Charged to the profit and loss account	5,721	5,721
At 31 March 2014	19,887	19,887

Analysis of deferred tax

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Accelerated capital allowances	19,887	14,166

At 31 March 2014 the group has a potential deferred taxation asset of £94,391 (2013 £239,000) in respect of trading losses. Due to the uncertainty of creating sufficient taxable profits in future years the group has not recognized the potential deferred taxation asset in these financial statements.

18 Share based payments

During the year a scheme was put in place whereby certain of the company's employees were awarded share options in Temple Holding Limited, a company incorporated in Jersey. Temple Holding Limited is the holding company of Southern Dental Limited.

The options are awarded and vest over time or certain conditions as follows:

- On any future flotation or sale

The charge in respect of these options has been calculated using the Black-Scholes valuation model. This method has been used to calculate the fair value of the options based on the following assumptions:

- Grant price £0.04598
- Expected option life of 1.16 years
- Expected volatility of 50%
- 0% dividend yield
- 0.3% risk-free interest rate

The charge in respect of this scheme based on these values is £168,976 (2013: £nil).

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

18 Share based payments (continued)

Movement in the number of options awarded

	Number of shares
At 1 April 2013	-
Granted	1,100,000
At 31 March 2014	<u>1,100,000</u>

19 Called up share capital

Allotted and fully paid shares

Group and Company

	31 March 2014		31 March 2013	
	No	£	No	£
Ordinary A shares of £1 each	882	882	882	882
Ordinary B shares of £1 each	98	98	98	98
Ordinary C shares of £1 each	20	20	20	20
Ordinary shares of £0.00001 each	100,000,000	1,000	-	-
	<u>100,001,000</u>	<u>2,000</u>	<u>1,000</u>	<u>1,000</u>

20 Reserves

Group

	Share premium account £	Profit and loss account £	Other reserves £	Total £
At 1 April 2013	3,957,516	(331,858)	-	3,625,658
Profit for the financial year	-	1,433,261	-	1,433,261
Charge in respect of share option scheme	-	-	168,976	168,976
At 31 March 2014	<u>3,957,516</u>	<u>1,101,403</u>	<u>168,976</u>	<u>5,227,895</u>

Company

	Share premium account £	Profit and loss account £	Other reserves £	Total £
At 1 April 2013	3,957,516	(6,447,102)	-	(2,489,586)
Loss for the financial year	-	(3,426,750)	-	(3,426,750)
Charge in respect of share option scheme	-	-	168,976	168,976
At 31 March 2014	<u>3,957,516</u>	<u>(9,873,852)</u>	<u>168,976</u>	<u>(5,747,360)</u>

Other reserves relate to the employee share option scheme

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

21 Reconciliation of movement in shareholders' funds/(deficit)

Group

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Profit for the financial year	1,433,261	886,064
Change in respect of share option scheme	168,976	-
Net addition to shareholders' funds	1,602,237	886,064
Shareholders' funds at start of year	3,626,658	2,740,594
Shareholders' funds at end of year	5,228,895	3,626,658

Company

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Loss for the financial year	(3,426,750)	(1,965,665)
Change in respect of share option scheme	168,976	-
Net addition to shareholders' deficit	(3,257,774)	(1,965,665)
Shareholders' deficit at start of year	(2,488,586)	(522,921)
Shareholders' deficit at end of year	(5,746,360)	(2,488,586)

22 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £8,795 (2013 £5,560).

Contributions totalling £207 (2013 £2,233) were payable to the scheme at the end of the year and are included in creditors.

23 Commitments

Operating lease commitments

Group

As at 31 March 2014 the group had annual commitments under non-cancellable operating leases expiring as follows:

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Land and buildings		
Within one year	208,938	67,000
Within two and five years	204,718	149,403
Over five years	1,188,795	1,017,533
	1,602,451	1,233,936

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

24 Analysis of net debt

A. Reconciliation of net cash flow to movement in net debt

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Increase in cash	1,349,971	896,389
Cash inflow from increase in loans	(10,022,050)	(6,602,382)
Cash outflow from repayment of loans	2,370,671	623,766
Cash outflow from repayment of capital element of finance leases and hire purchase contracts	70,094	131,273
Cash outflow from decrease in other debt	42,241	63,253
Change in net debt resulting from cash flows	(6,189,073)	(4,887,701)
Acquisitions	(568,058)	43,598
Other non-cash movements	507,322	(43,598)
New finance leases	(78,354)	-
Movement in net debt	(6,328,163)	(4,887,701)
Net debt at start of the year	(21,734,861)	(16,842,638)
Net debt at end of year	(28,063,024)	(21,730,339)

Purchase of businesses in the year

The businesses acquired during the year contributed £438,333 (2013 £429,216) to the group's operating cash inflows, paid £85,343 (2013 £20,441) in respect of returns on investment and servicing of finance and utilised £216,343 (2013 £125,229) for capital expenditure. The assets and liabilities acquired from these practices are disclosed in note 10 to the financial statements.

The cash flow statement includes the relevant adjustments to stock, debtors, creditors and purchase of tangible fixed assets to take into consideration the effect of acquisitions. The net assets acquired are disclosed in note 10 to the financial statements.

B. Analysis of net debt

	At 1 April 2013 £	Cash flow £	Acquisitions £	Other non-cash changes £	At 31 March 2014 £
Cash at bank and in hand	674,461	1,349,971	26,649	-	2,051,081
Bank overdraft	-	-	-	-	-
	674,461	1,349,971	26,649	-	2,051,081
Debt due within one year	(1,984,815)	535,938	(570,671)	507,322	(1,512,226)
Debt due after more than one year	(20,116,207)	(8,187,317)	-	-	(28,303,524)
Finance leases and hire purchase contracts	(131,264)	70,094	(28,558)	(78,354)	(168,082)
Directors' loan	(172,514)	42,241	-	-	(130,273)
Net debt	(21,730,339)	(8,189,073)	(572,580)	428,968	(28,063,024)

SOUTHERN DENTAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

25 Related party transactions

During the year the group or company made the following related party transactions

VAS Dental Care Limited

(Dr A Eyumlu, director of the company, is a director and shareholder of VAS Dental Care Limited)

During the year VAS Dental Care Limited paid cash advances of £280,262 (£2013 £183,912) to Southern Dental Limited, of which £273,366 (2013 £264,134) has been used in settlement against expenses paid by Southern Dental Limited on behalf of VAS Dental Care Limited. At the balance sheet date the amount due (to)/from VAS Dental Care Limited was £(8,314) (2013 £(1,418)).

Dr M Eyumlu

(Company director)

During the year Dr M Eyumlu charged rent of £236,486 (2013 £175,621) on various properties used by the group companies. In addition, Dr M Eyumlu, has given a personal guarantee of up to £4,000,000 in respect of bank loans for the group and company. At the balance sheet date the amount due to Dr M Eyumlu was £130,273 (2013 £172,514).

Honor Oak Dental Care Limited

(Dr H Shakir, director of the company, is also a director and shareholder of Honor Oak Dental Care Limited)

During the year Honor Oak Dental Care Limited paid cash advances of £138,988 (2013 £170,172) to the company, of which £141,253 (2013 £174,085) has been used in settlement against expenses paid by Southern Dental Limited on behalf of Honor Oak Dental Care Limited. At the balance sheet date the amount due from/(to) Honor Oak Dental Care Limited was £1,309 (2013 £(956)).

Highview Dental Care Limited

(Dr H Shakir, director of the company, is also a director and shareholder of this Highview Dental Care Limited)

During the year Highview Dental Care Limited paid cash advances of £233,264 (2013 £264,979) to the company, of which £238,291 (2013 £305,362) has been used in settlement against expenses paid by Southern Dental Limited on behalf of Highview Dental Care Limited. At the balance sheet date the amount due from/(to) Highview Dental Care Limited was £3,661 (2013 £(1,366)).

Deanbrook Dental Care Limited

(Dr H Shakir, director of the company, is also a director and shareholder of this Deanbrook Dental Care Limited)

During the year Deanbrook Dental Care Limited paid cash advances of £303,390 (2013 £nil) to the company, of which £350,647 (2013 £nil) has been used in settlement against expenses paid by Southern Dental Limited on behalf of Deanbrook Dental Care Limited. At the balance sheet date the amount due from/(to) Deanbrook Dental Care Limited was £47,257 (2013 £nil).

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

The group's ultimate controlling party is Dr M Eyumlu (DDS).

26 Ultimate parent company

The immediate and ultimate parent company is Tempire Holdings Limited, a company incorporated in Jersey.

27 Post balance sheet event

On 17 April 2014 and 4 June 2014, the group completed the purchase of Market Place Dental Practice Limited and Smile Style for a total consideration of £1,500,000 and £1,175,000, respectively.