

Oasis Dental Care (Southern) Limited
(Formerly Dencare Management Limited)
Annual report
for the year ended 31 March 2005

Registered Number 00532006



Oasis Dental Care (Southern) Limited

Annual report for the year ended 31 March 2005

Directors and Advisers	1
Directors' report	2-3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-17

Oasis Dental Care (Southern) Limited

Directors and Advisers

Directors

S D Lambert

P P Langley

O Harman

Secretary and registered office

L M Stone

69-75 Thorpe Road

Norwich

NR1 1UA

Auditors

PricewaterhouseCoopers LLP

The Atrium

St Georges Street

Norwich

NR3 1AG

Bankers

Bank of Scotland

41-51 Grey Street

Newcastle-Upon-Tyne

NE1 6EE

Oasis Dental Care (Southern) Limited

Directors' report for the year ended 31 March 2005

The directors present their report and the audited financial statements for the year ended 31 March 2005.

Principal activity

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

Review of business

The results for the year and financial position of the company are as shown on page 5 in these financial statements. The directors consider the result for the period satisfactory.

The parent company, Oasis Dental Care (Southern) Holdings Limited and the ultimate parent company, Oasis Healthcare plc, have indicated that repayment of the amounts owed as described in note 14 to the financial statements will not be sought for the foreseeable future.

Dividends

No dividends are recommended for the year ended 31 March 2005 (2004: £nil).

Directors

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

J F Clark	Resigned 16 August 2004
O Harman	Appointed 14 December 2004
M K Hughes	Resigned 30 April 2004
P P Langley	
S D Lambert	Appointed 2 August 2004
P Ward	Resigned 1 October 2004

To comply with the requirements of operating as a Dental Body Corporate, Oasis Dental Care (Southern) Limited must have a majority of practising dentists on the board; this has been met by P P Langley and the appointment of O Harman as a director of the company.

Directors' interests in shares

The directors holding office at 31 March 2005 did not hold any beneficial interest in the issued share capital of the company at any time during the year. The directors' interests in the 1p ordinary shares of the ultimate parent company, Oasis Healthcare plc, are disclosed in the annual report of that company.

Directors' interests in share options

The following directors held options over 1p ordinary shares of the parent company, Oasis Healthcare plc, during the year as set out below:

	1 April 2004	Granted during the year	Lapsed during the year	31 March 2005	Exercise Price	Date from which exercisable	Expiry date
P Langley	100,000	100,000	(100,000)	100,000	16.25p	01/12/2007	01/12/2014
P Ward	500,000	-	(500,000)	-	22.5p	10/01/2006	10/01/2013
O Harman	6,000	-	-	6,000	24.0p	10/07/2006	10/07/2013

Oasis Dental Care (Southern) Limited

Share options in the parent company held by J F Clark, M K Hughes and S D Lambert are disclosed in the financial statements of the ultimate parent company Oasis Healthcare plc.

The exercise of these options is subject to performance conditions in respect of future share price growth. Options were granted at no cost to the directors. The closing mid-market price of Oasis Healthcare plc 1p ordinary shares at 31 March 2005 was 10.5p (2004: 17p). During the year the closing mid-market prices of Oasis Healthcare plc 1p ordinary shares ranged between 9p and 18p

Creditor payment policy

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

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 31 March 2005 and the amounts owed to its trade creditors at the year end was 35 days (2004: 37 days).

Disabled persons

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

Employee involvement

Employee involvement, consultation and development fulfil key roles in achieving success for the company's continuing growth. Employees are kept informed through meetings and practice newsletters.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

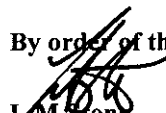
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 March 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution will be proposed at the Annual General Meeting that PricewaterhouseCoopers LLP be reappointed as auditors.

By order of the Board


L M Stone
Secretary

Oasis Dental Care (Southern) Limited

Independent auditors' report to the members of Oasis Dental Care (Southern) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich

24 June 2005

Oasis Dental Care (Southern) Limited

Profit and loss account for the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Turnover	2	22,652	22,434
Cost of sales		(13,719)	(13,515)
Gross profit		8,933	8,919
Administrative expenses		(7,999)	(8,203)
Exceptional items	5	(647)	(1,288)
Total administrative expenses		(8,646)	(9,491)
Operating profit/(loss)	6	287	(572)
Net interest payable and similar charges	7	(227)	(1,137)
Profit/(loss) on ordinary activities before taxation		60	(1,709)
Tax (charge)/credit on ordinary activities	8	(126)	56
Loss for the financial year		(66)	(1,653)

All results relate to continuing operations.

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

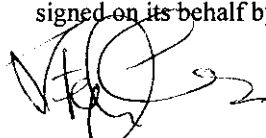
There were no other gains or losses in the year other than those included in the profit and loss account above.

Oasis Dental Care (Southern) Limited

Balance sheet at 31 March 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	9	5,080	5,708
Tangible assets	10	2,867	3,078
		7,947	8,786
Current assets			
Stocks	11	438	389
Debtors: amounts falling due within one year	12	2,468	11,460
Deferred taxation	13	683	672
Cash at bank and in hand		193	183
		3,782	12,704
Creditors: amounts falling due within one year	14	(16,914)	(26,790)
Net current liabilities		(13,132)	(14,086)
Total assets less current liabilities		(5,185)	(5,300)
Creditors: amounts falling due after more than one year	15	(209)	(224)
Provision for liabilities and charges	17	(338)	(142)
Net liabilities		(5,732)	(5,666)
Capital and reserves			
Called up share capital	20	3,000	3,000
Profit and loss account	21	(8,732)	(8,666)
Equity shareholders' deficit	22	(5,732)	(5,666)

The financial statements on pages 5 to 17 were approved by the board of directors on 7 June 2005 and were signed on its behalf by:



S D Lambert
Chief Executive Officer



P P Langley
Director

Oasis Dental Care (Southern) Limited

Notes to the financial statements for the year ended 31 March 2005

1. Principal accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 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.

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary and is included in the consolidated financial statements of Oasis Healthcare plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No.1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard No. 8 from disclosing related party transactions with Oasis Healthcare plc and other group companies.

Going concern

The parent company, Oasis Dental Care (Southern) Holdings Limited and the ultimate parent company, Oasis Healthcare plc, have indicated that repayment of the amounts owed as described in note 14 to the financial statements will not be sought for the foreseeable future.

Deferred taxation

Provision is made for deferred taxation, using the full provision accounting method when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future, in accordance with FRS19 "Deferred Taxation". Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Goodwill

Goodwill arising on the acquisition of businesses, being the difference between the fair value of the consideration and the fair value of net tangible assets acquired, is capitalised on acquisition. On disposal of a business, any goodwill on acquisition is accounted for in determining the profit or loss on disposal. Goodwill is amortised over a period of 20 years, being the expected useful economic life.

Tangible fixed assets

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

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

Leasehold improvements	Over the life of the lease
Fixtures, fittings and equipment	10% - 20%
Computer equipment	20% - 33%

Oasis Dental Care (Southern) Limited

Finance and operating leases

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

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

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

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Provisions

The Group makes provisions for liabilities and charges when it has a legal or constructive obligation arising from a past event in accordance with FRS12 "Provisions, contingent liabilities and contingent assets".

Turnover

Turnover represents the income received in the ordinary course of business for dentistry goods or services provided. Turnover is recognised on the completion of each piece of treatment carried out with the exception of orthodontic treatment which is recognised based on the stage of completion reached during the course of treatment.

2. Turnover

The turnover and profit/loss on ordinary activities before taxation are attributable to the one principal activity of the company in the United Kingdom.

3. Directors' emoluments

All emoluments are borne by the ultimate parent company or other subsidiary undertakings of Oasis Healthcare plc.

Oasis Dental Care (Southern) Limited

4. Employee Information

Staff costs	2005 £'000	2004 £'000
Wages and salaries	4,028	4,100
Social security costs	329	337
	4,357	4,437

The average monthly number of employees (including executive directors and excluding associates) during the year was as follows:

By activity	2005 Number	2004 Number
Dentists	1	1
Other staff	345	352
Directors	3	3
	349	356

5. Exceptional items

	2005 £'000	2004 £'000
Property costs	387	-
Impairment of goodwill (note 9)	260	1,288
Total	647	1,288

During the year, management undertook a review of the carrying value of goodwill. The impairment of goodwill represents the write down to recoverable amount.

The property costs relate to provisions made in respect of properties to be vacated and the loss on disposal of assets within these properties.

Oasis Dental Care (Southern) Limited

6. Operating profit/(loss)

The profit/(loss) on ordinary activities before taxation is stated after charging:

	2005	2004
	£'000	£'000
Goodwill amortisation	368	447
Depreciation – owned fixed assets	373	388
Depreciation – fixed assets held under finance leases	155	118
Auditors' services		
Statutory audit	10	10
Operating leases – other	892	818

7. Net interest payable and similar charges

	2005	2004
	£'000	£'000
Interest payable on finance leases	36	52
Bank interest	62	777
Interest on amounts due to group undertakings	176	780
Total interest payable	274	1,609
Bank interest received	(47)	(472)
	227	1,137

8. Tax on profit/(loss) on ordinary activities

(a) Analysis of credit in year

	2005	2004
	£'000	£'000
Corporation tax at 30% (2004: 30%)		
Current – payment for group relief	137	-
Deferred taxation at (note 13)	(11)	(56)
	126	(56)

Oasis Dental Care (Southern) Limited

(b) Factors affecting taxation credit in year	2005	2004
	£'000	£'000
Profit/(loss) on ordinary activities before taxation	60	(1,709)
UK corporation tax at 30%	18	(513)
Effects of:		
Depreciation in excess of capital allowances	176	44
Group relief (claimed)/surrendered and not paid for	(66)	35
Expenses not deductible for taxation purposes	9	434
	137	-

Group relief of £203,000 was claimed in the year, of which £137,000 was paid for.

c) Factors affecting the future tax charge.

Subject to Inland Revenue agreement, the company has approximately £6.5m of losses available to be utilised against future year's profits.

9. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 2004 and 31 March 2005	9,312
Amortisation	
At 1 April 2004	3,604
Charge for the year	368
Impairment of goodwill	260
At 31 March 2005	4,232
Net book value	
At 31 March 2005	5,080
At 31 March 2004	5,708

Goodwill arises on the purchase of a number of unincorporated dental practices and is being amortised on a straight line basis over 20 years. This period is the period over which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Oasis Dental Care (Southern) Limited

10. Tangible fixed assets

	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2004	4,130	1,456	5,586
Additions	326	31	357
Disposals	(49)	-	(49)
At 31 March 2005	4,407	1,487	5,894
Depreciation			
At 1 April 2004	1,581	927	2,508
Charge for the year	350	178	528
Disposals	(9)	-	(9)
At 31 March 2005	1,922	1,105	3,027
Net book value			
At 31 March 2005	2,485	382	2,867
At 31 March 2004	2,549	529	3,078

The net book value of tangible fixed assets includes an amount of £664,000 (2003: £1,066,000) in respect of assets held under finance leases.

11. Stocks

	2005 £'000	2004 £'000
Raw materials and consumables	410	348
Goods held for resale	28	41
	438	389

Oasis Dental Care (Southern) Limited

12. Debtors

Amounts falling due within one year	2005 £'000	2004 £'000
Trade debtors	548	580
Amounts owed by parent company	1,562	10,521
Prepayments and other debtors	358	359
	2,468	11,460

13. Deferred taxation

	2005 £'000	2004 £'000
Deferred taxation	683	672

Provided deferred tax relates to losses. £11,000 was credited to the profit and loss account in the year.

Analysis of unprovided deferred taxation assets/(liabilities)

	2005 £'000	2004 £'000
Losses	1,314	1,446
Depreciation in excess of capital allowances	1,165	-
Accelerated capital allowances	-	(115)
	2,479	1,331

It is anticipated that these losses will be accessed as the company generates taxable profits in future years. The movement in provided and unprovided deferred tax on losses and accelerated capital allowances is due to the resubmission of prior year corporation tax return in order to classify certain disallowed expenditure as tax allowable. The balances are subject to Inland Revenue approval.

Oasis Dental Care (Southern) Limited

14. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Bank overdraft	16	9,680
Obligations under finance leases (note 16)	130	261
Trade creditors	1,522	1,560
Amounts owed to other group undertakings	14,831	14,791
Other taxation and social security	92	99
Accruals and deferred income	323	399
	16,914	26,790

The bank overdraft is secured by a floating charge over the company's assets.

Interest is charged on the amounts owing to the parent company at a rate linked to the group's external bank rates.

15. Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Obligations under finance leases (note 16)	209	224

16. Finance lease obligations

Future minimum payments under finance leases are as follows:

	2005 £'000	2004 £'000
Net obligations repayable:		
Within one year	130	261
In more than one year, but not more than five years	79	100
More than five years	130	124
	339	485

Oasis Dental Care (Southern) Limited

17. Provision for liabilities and charges

	2005 £'000	2004 £'000
Onerous lease	338	142
As at 31 March 2004	338	142
		£'000
Provision for onerous leases		
Brought forward at 1 April 2004		142
Charged to the profit and loss account		333
Utilised in the year		(137)
At 31 March 2005		338

It is anticipated that the provision will be utilised as follows:

	£'000
Within one year	119
Between one and two years	219
	338

18. Financial commitments

At 31 March 2005 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and Buildings	
	2005 £'000	2004 £'000
Within one year	14	43
Within two to five years	114	139
After five years	752	775
	880	957

Oasis Dental Care (Southern) Limited

19. Capital commitments

There was capital expenditure contracted for but not provided for in the financial statements of £104,000 as at 31 March 2005 (2004: £nil).

20. Called up share capital

	2005	2004
	£'000	£'000
Authorised		
3,000,000 ordinary shares of £1 each	3,000	3,000
Allotted, called up and fully paid		
3,000,000 ordinary shares of £1 each	3,000	3,000

21. Reserves

	Profit and loss account
	£'000
At 1 April 2004	(8,666)
Loss for the year	(66)
At 31 March 2005	(8,732)

22. Reconciliation of movements in shareholders' deficit

	2005	2004
	£'000	£'000
Loss for the financial year	(66)	(1,653)
Opening equity shareholders' deficit	(5,666)	(4,013)
Closing equity shareholders' deficit	(5,732)	(5,666)

23. Related party transactions

Under the terms of FRS 8 the company is exempt from disclosing details of its transactions with Oasis Healthcare plc or all other subsidiaries of the Oasis Healthcare plc group.

Oasis Dental Care (Southern) Limited

24. Ultimate parent company and ultimate controlling party

The directors regard Oasis Healthcare plc as the ultimate parent company and ultimate controlling party. Oasis Healthcare plc own 100% of the issued share capital of the immediate parent company Oasis Dental Care (Southern) Holdings Limited.

Copies of the parent's consolidated financial statements may be obtained from the company secretary at Oasis Healthcare plc, 69-75 Thorpe Road, Norwich, NR1 1UA.

25. Contingent liabilities

The ultimate parent company's bank loans are guaranteed by a charge over all assets of the company.