

Oasis Dental Care (Southern) Limited
Annual report
for the year ended 31 March 2006

Registered Number 00532006



Oasis Dental Care (Southern) Limited

Annual report for the year ended 31 March 2006

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Oasis Dental Care (Southern) Limited

Directors and Advisors

Directors

S D Lambert

P P Langley

O Harman

Secretary and registered office

A Holdcroft

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 2006

The directors present their report and the audited financial statements for the year ended 31 March 2006.

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 show a profit of £1,696,000 (2005: loss of £66,000) and turnover of £22,948,000 (2005: £22,652,000). The Company is an integral part of the operations of its ultimate parent company, Oasis Healthcare plc, and as such the Chairman's Review in the financial statements of its ultimate parent should be read for a full review of the group's business and developments in the year.

Going concern

The ultimate parent company, Oasis Healthcare plc, and a fellow group company, Oasis Dental Care Limited, have indicated that repayment of the amounts owed as described in note 14 to the financial statements will not be sought for at least 12 months following the signing of these financial statements. Accordingly the financial statements have been prepared on a going concern basis.

Principal risks and uncertainties

The directors of Oasis Healthcare plc manage the group's risks at group level rather than at an individual company level. For this reason, the company's directors believe that a discussion of the group's risks is not appropriate here. The principal risks and uncertainties of the Oasis Healthcare plc group, which includes those of the Company, are discussed on page 9 of the group's annual report which does not form part of this report.

Key performance indicators ("KPIs")

The performance of the business is monitored at various levels from Company level down through cluster and practice levels to individual dentists. Accounts are produced and reviewed on a monthly basis.

The key financial measures we consider important are turnover, gross profit margin and earnings before interest, tax, depreciation and amortisation ("EBITDA"). We also monitor the split of income between private and NHS. Historically, we have measured over-the-counter income on a daily basis for both private and NHS income streams. Going forward, given the change in the NHS contract structures, the measurement of delivery of Units of Dental Activity will be more relevant.

Dividends

No dividends are recommended for the year ended 31 March 2006 (2005: £nil).

Directors

The directors of the company who served throughout the period, are listed below:

O Harman
P P Langley
S D Lambert

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 O Harman.

Oasis Dental Care (Southern) Limited

Directors' interests in shares

The directors holding office at 31 March 2006 did not hold any beneficial interest in the issued share capital of the company at any time during the year. Other than S D Lambert, the directors did not hold any interests in the share capital of Oasis Healthcare plc. S D Lambert's interests in the 1p ordinary shares of the 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 2005	Granted during the year	Lapsed during the year	31 March 2006	Exercise Price	Date from which exercisable	Expiry date
P Langley	100,000	-	-	100,000	16.25p	01/12/2007	01/12/2014
O Harman	6,000	-	-	6,000	24p	10/07/2006	10/07/2013

Share options in the parent company held by 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 2006 was 14.25p. During the year the closing mid-market prices of Oasis Healthcare plc 1p ordinary shares ranged between 8p and 15p

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 2006 and the amounts owed to its trade creditors at the year end was 23 days (2005: 35 days).

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Credit risk

The company has implemented policies that require non-NHS funded balances to be settled prior to the treatment occurring.

Liquidity risk

The company utilises long-term and short-term inter-company loans to ensure the company has sufficient available funds for operations and planned expansions.

Oasis Dental Care (Southern) Limited

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which earn interest at a floating rate. The company has a policy of maintaining debt at a fixed and floating rate to ensure stability over future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

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 2006 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.

Statement of disclosure of information to auditors

The directors confirm that at the date of signing these financial statements there is no relevant audit information of which the auditors are unaware. They also confirm that appropriate enquiries have been made to ensure that they are aware of any relevant audit information and that it has been communicated to the auditors.

Auditors

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

By order of the Board



A Holdcroft
Secretary

Oasis Dental Care (Southern) Limited

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

We have audited the financial statements of Oasis Dental Care (Southern) Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

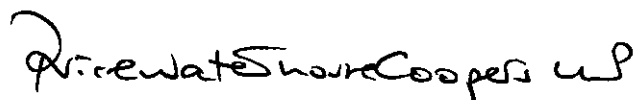
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Oasis Dental Care (Southern) Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich

26 January 2007

Oasis Dental Care (Southern) Limited

Profit and loss account for the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Turnover	2	22,948	22,652
Cost of sales		(14,037)	(13,719)
Gross profit		8,911	8,933
Administrative expenses		(8,139)	(7,999)
Exceptional items	5	-	(647)
Total administrative expenses		(8,139)	(8,646)
Operating profit	6	772	287
Net interest receivable/(payable) and similar charges	7	677	(227)
Profit on ordinary activities before taxation		1,449	60
Tax credit/(charge) on loss on ordinary activities	8	247	(126)
Profit/(loss) for the financial year	21	1,696	(66)

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 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	9	4,714	5,080
Tangible assets	10	3,983	2,867
		8,697	7,947
Current assets			
Stocks	11	443	438
Debtors: amounts falling due within one year	12	1,560	2,468
Deferred taxation	13	930	683
Cash at bank and in hand		31,457	193
		34,390	3,782
Creditors: amounts falling due within one year	14	(46,830)	(16,914)
Net current liabilities		(12,440)	(13,132)
Total assets less current liabilities		(3,743)	(5,185)
Creditors: amounts falling due after more than one year	15	(181)	(209)
Provision for liabilities and charges	17	(112)	(338)
Net liabilities		(4,036)	(5,732)
Capital and reserves			
Called up share capital	20	3,000	3,000
Profit and loss account	21	(7,036)	(8,732)
Equity shareholders' deficit	22	(4,036)	(5,732)

The financial statements on pages 7 to 19 were approved by the board of directors on 28/01/07 and were signed on its behalf by:


S D Lambert
 Director

Oasis Dental Care (Southern) Limited

Notes to the financial statements for the year ended 31 March 2006

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention and 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.

Going concern

Oasis Healthcare plc, the ultimate parent undertaking, and Oasis Dental Care Limited, a fellow subsidiary, have confirmed in writing that they will not seek repayment of the amounts shown in note 14 to the financial statements for 12 months following the signing of these financial statements.

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.

Goodwill

Goodwill arising on business acquisitions, being the difference between the fair value of the consideration and the fair value of net tangible assets acquired, is capitalised on acquisition. 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:

Fixtures, fittings and computer equipment	10% - 33%
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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.

Oasis Dental Care (Southern) Limited

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 FRS 19 "Deferred Taxation". Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover represents the income received in the ordinary course of business for dentistry goods or services provided. For practices under the former NHS agreements 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. For practices which had converted to the new NHS arrangements within the year, turnover is recognised based on the annual contract value.

Pensions

The Group makes contributions to stakeholder and employee personnel pension schemes. These costs are charged to the profit and loss account in the period to which they relate.

2. Turnover

The turnover and 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 without recharge.

4. Employee Information

The average monthly number of employees (including executive directors but excluding self-employed associate dentists) during the period was as follows:

By activity	2006	2005
	Number	Number
Dentists	3	1
Other staff	358	345
Directors	3	3
	364	349

Oasis Dental Care (Southern) Limited

Staff costs	2006	2005
	£'000	£'000
Wages and salaries	4,021	4,028
Social security costs	345	329
Other pension costs (note 23)	3	2
	4,369	4,359

5. Exceptional items

	2006	2005
	£'000	£'000
Property costs	-	387
Impairment of goodwill	-	260
Total	-	647

In the current year impairment of goodwill of £63,000 (note 9) has been included in administrative expenses. In the prior year it was included as an exceptional item due to its size and nature. The prior year property costs relate to onerous lease and dilapidation provision charges and other practice closure costs.

6. Operating profit

The profit on ordinary activities before taxation is stated after charging:

	2006	2005
	£'000	£'000
Goodwill amortisation	303	368
Impairment of goodwill	63	260
Depreciation – owned fixed assets	427	373
Depreciation – fixed assets held under finance leases	104	155
Auditors' services		
Statutory audit	10	10
Operating leases – other	836	892

The fee for tax compliance and advisory services was borne by another group company without recharge.

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7. Net interest receivable/(payable) and similar charges

	2006 £'000	2005 £'000
Interest payable on finance leases	(22)	(36)
Bank interest	(7)	(62)
Interest on amounts due to group undertakings	-	(176)
Total interest payable	(29)	(274)
Bank interest received	706	47
	677	(227)

No interest was charged on inter-company loans during the year (2005: £176,000) for the purposes of the financial statements; however interest charges have been imputed for taxation provision purposes.

8. Tax on profit on ordinary activities

(a) Analysis of (credit)/charge in year	2006 £'000	2005 £'000
Corporation tax at 30% (2005: 30%)		
Current – payment for group relief	-	137
	-	137
Deferred taxation at 30% (2005: 30%) (note 13)		
- Current year	(492)	(11)
- Prior year	245	-
	(247)	(11)
	(247)	126

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(b) Factors affecting taxation in year

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	1,449	60
UK corporation tax at 30%	435	18
Effects of:		
Depreciation in excess of capital allowances	212	176
Group relief claimed	(228)	(66)
Expenses not deductible for taxation purposes	96	9
Utilisation of brought forward losses	(438)	-
Inter-company interest recognised for taxation purposes	(77)	-
	-	137

c) Factors affecting the future tax charge.

Subject to HM Revenue & Customs agreement, the company has approximately £3.3m of losses available to be utilised against future years profits. The company also has £5.6m of capital allowances claimable in the future subject to approval by HM Revenue & Customs. Further details are available in note 13 to the financial statements.

9. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 2005 and 31 March 2006	9,312
Amortisation	
At 1 April 2005	4,232
Charge for the year	303
Impairment of goodwill	63
At 31 March 2006	4,598
Net book value	
At 31 March 2006	4,714
At 31 March 2005	5,080

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
Cost	
At 1 April 2005	5,894
Additions	1,705
Transfers to other group companies	(58)
Disposals	-
At 31 March 2006	7,541
Depreciation	
At 1 April 2005	3,027
Charge for the year	531
At 31 March 2006	3,558
Net book value	
At 31 March 2006	3,983
At 31 March 2005	2,867

The net book value of tangible fixed assets includes an amount of £412,000 (2005: £664,000) in respect of assets held under finance leases.

11. Stocks

	2006	2005
	£'000	£'000
Raw materials and consumables	411	410
Goods held for resale	32	28
	443	438

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12. Debtors

Amounts falling due within one year	2006	2005
	£'000	£'000
Trade debtors	543	548
Amounts owed by fellow subsidiaries	626	1,562
Prepayments and other debtors	391	358
	1,560	2,468

13. Deferred taxation

	2006	2005
	£'000	£'000
Depreciation in excess of capital allowances	329	-
Losses	601	683
	930	683

Reconciliation of movement in provided deferred taxation assets

	£'000
At 1 April 2005	683
Credited to profit and loss account (note 8)	247
At 31 March 2006	930

Analysis of unprovided deferred taxation assets

	2006	2005
	£'000	£'000
Losses	376	1,314
Depreciation in excess of capital allowances	1,352	1,165
	1,728	2,479

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Reconciliation of movement in unprovided deferred taxation assets

	£'000
At 1 April 2005	2,479
Movement in unprovided amount - current year	(718)
- prior year	(33)
At 31 March 2006	1,728

It is anticipated that the losses will be accessed as the company generates taxable profits in future years. The balances in respect of capital allowances are subject to HM Revenue & Customs agreement.

14. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank overdraft	-	16
Obligations under finance leases (note 16)	93	130
Trade creditors	1,080	1,522
Amounts owed to ultimate parent company	13,930	13,930
Amounts owed to immediate parent company	-	901
Amounts owed to fellow subsidiaries	31,349	-
Other taxation and social security	95	92
Accruals and deferred income	283	323
	46,830	16,914

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

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

	2006 £'000	2005 £'000
Obligations under finance leases (note 16)	181	209

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16. Finance lease obligations

Future minimum payments under finance leases are as follows:

	2006 £'000	2005 £'000
Net obligations repayable:		
Within one year	93	130
In more than one year, but not more than two years	94	79
In more than two years, but not more than five years	87	130
	274	339

17. Provision for liabilities and charges

	2006 £'000	2005 £'000
Property provisions	112	338

Property provisions	£'000
Brought forward at 1 April 2005	338
Charged	112
Utilised	(338)
At 31 March 2006	112

The property provisions are in respect of onerous leases and dilapidations and are the directors' best estimate of the liability. The provision has not been discounted on the basis of materiality.

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

	£'000
Within one year	112

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18. Financial commitments

At 31 March 2006 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2006	2005
	£'000	£'000
Within one year	-	14
Within two to five years	192	114
After five years	822	752
	1,014	880

19. Capital commitments

There was capital expenditure contracted for but not provided for in the financial statements of £209,000 as at 31 March 2006 (2005: £104,000).

20. Called up share capital

	2006	2005
	£'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 2005	(8,732)
Profit for the year	1,696
At 31 March 2006	(7,036)

Oasis Dental Care (Southern) Limited

22. Reconciliation of movements in shareholders' deficit

	2006	2005
	£'000	£'000
Profit/(loss) for the financial year	1,696	(66)
Opening equity shareholders' deficit	(5,732)	(5,666)
Closing equity shareholders' deficit	(4,036)	(5,732)

23. Pension costs

The company has established a stakeholder pension scheme for all employees which are eligible to join. In the year to 31 March 2006 the company charge was £3,000 (2005: £2,000). There were no outstanding amounts at the year-end (2005: £nil).

24. 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.

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

26. Contingent liabilities

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