Company Registration No. 05515857

GENIX HEALTHCARE LIMITED

Report and Financial Statements

31 March 2013

GENIX HEALTHCARE LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS

GENIX HEALTHCARE LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M T Mohammed
W M Azam
Graeme Rowden
Helen Patricia Barnes King
Andrew Kevin Fenn

REGISTERED OFFICE

2 College Court
Gildersome
Leeds
LS27 7WF

BANKERS

Svenska Handelsbanken AB
Ground Floor
12 Longbow Close
Pennine Business Park
Bradley
Huddersfield
HD2 1GQ

AUDITOR

Deloitte LLP
Chartered Accountants and Registered Auditor
Leeds

DIRECTORS' REPORT (continued)

The directors present their annual report on the affairs of the company together with the financial statements and auditor's report for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activity of the company in the year under review was that of the operation of dental practices.

The majority of the company's income was derived from fixed income contracts with local NHS Primary Care Trusts ("PCT's"). The fixed income nature of the contracts provides the company with stability and visibility over its revenue and profit streams. In addition, the company has variable income streams based on treatment provided to patients under private contracts. During the year the company acquired two new dental practices, bringing the total number of practices in the portfolio to 24.

The company's turnover for the year amounted to £13,373,580 (2012: £11,988,897). Operating loss for the year was £268,261 (2012: Profit of £154,998) and loss for the year was £435,385 (2012: Profit £53,876).

The main financial key performance indicators used by the directors are Earnings before interest, tax, depreciation and amortisation ("EBITDA") and cash generated from operations. For the year ended 31 March 2013, EBITDA was £436,049 (2012: £810,964). Cash generated from operations was £266,179 (2012: £295,709).

The directors are disappointed with the results for the year which are due to significant underperformance in a small number of practices.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors believe the principal risks and uncertainties faced by the business are maintaining the highest clinical standards, recruiting and retaining high quality dentists, attracting and retaining the required level of patients and the overall NHS system for providing dental care.

The directors place the utmost importance on maintaining the highest possible standards of clinical care. Clinical policies and procedures are continually monitored to ensure these are best practice and day to day compliance is monitored. All clinics have either completed or are in the process of completing the British Dental Association Good Practice Scheme and has put in place what it believes are policies and procedures to enable it to meet its obligations to the Clinical Quality Commission. Suitable insurance policies are in place at both individual dentist and corporate levels.

The directors place significant emphasis on the recruitment, retention and performance of the company's dentists. Ongoing training is provided and monitored and dentists' contracts aim to motivate and retain practitioners through revenue share.

The NHS contract for dentists in England and Wales, introduced in April 2006, provides benefits in terms of income visibility and dentist retention. However, as with any system, there are likely to be modifications to it, some of which are currently being piloted, and the company is involved in this process. The extent of such modifications and the impact which they may have on the company is unclear; however the company benefits from a high proportion of lifetime contracts with PCT's together with a number of 5 and 7 year contracts which still have the majority of their current contracted life to run.

FUNDING AND GOING CONCERN

Following a period of underperformance on a limited number of its NHS contracts the company is likely to be required to make repayments to the related NHS trusts. A significant element of these repayments are still not finalised in some cases, years after resolution should have been reached as per the contract terms. The company's directors have prepared a detailed cash flow forecast for the company for the period ending 31/03/2016 ("the Forecast") which includes a number of assumptions regarding income, expenditure and the value and timing of the NHS trust repayments. The Forecast indicates that the company is unlikely to be able to meet its' liabilities as they fall due without seeking additional funding of approximately £1m. The precise magnitude of this funding gap is very much dependent on the outcome of negotiations in respect to repayments, both in terms of absolute amount and repayment period and it is possible the funding requirement may be substantially lower in the period under review, being 12 months from the date of approval of the financial statements. Notwithstanding this uncertainty, the directors have identified the need to renegotiate and increase on the existing loan or to seek alternative sources of funding, alongside the need to improve the performance of the company.

DIRECTORS' REPORT (continued)

FUNDING AND GOING CONCERN (continued)

At the year end the company are in breach of the banking covenants therefore the loan has been reclassified as payable within one year. As at May 2014 the lender has not currently recalled this loan or given any indication that they will, and therefore the directors have based their going concern assessment, including the additional funding required, on the basis that the loan is repayable in line with the original repayment terms.

The company's directors have been in discussion with the current lender regarding the annual renewal of the existing overdraft facility in June 2014, the existing loan facility (originally due for repayment in July 2015) and the possibility of obtaining further funding. The current lender continues to work with the company and is currently exploring the option of renegotiating the current loan facility with a view to providing the increased levels of funding required. Negotiations are continuing with the expectation of a formal proposal being received in the near future.

In the event of a change in the current stated intentions of the company's bankers or adverse trading conditions significantly different to that forecasted, such that the negotiations did not conclude satisfactorily, the Directors would need to replace the previous bank facilities with new funding facilities appropriate to the Company's ongoing requirements. The Director's are confident that there are alternative solutions available to them should this occur.

The lack of an agreed finance facility to meet the needs of the business for a period of at least 12 months from the date of approval of the financial statements is a material uncertainty which casts significant doubt about the company's ability to continue as a going concern for the foreseeable future and as a result it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Despite the uncertainty around the on-going availability of finance, the directors of the company believe that the prospect of a satisfactory resolution is high, based upon their current view of the lender's intentions and that this will enable the company to continue in operational existence for the foreseeable future and therefore have concluded that it is appropriate to prepare the financial statements on a going concern basis.

This financial information therefore does not include the adjustments that would result if the company were unable to continue as a going concern. In the event the company ceased to be a going concern, the adjustments would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividends will be distributed for the year ended 31 March 2013 (2012: nil).

DIRECTORS

The directors who served during the year and subsequently were:

- M T Mohammed
- S Nelson-Jones (resigned 31 March 2013)
- W M Azam
- K E Hayes (appointed 2 January 2012- resigned 2 January 2014)
- P Hodgkinson (appointed 2 January 2012- resigned 2 January 2014)
- Clive Fern (appointed 1 May 2013 – resigned 02 January 2014)
- Graeme Rowden (appointed 6 December 2013)
- Helen Patricia Barnes King (appointed 6 December 2013)
- Andrew Kevin Fenn (appointed 3 February 2014)

DONATIONS

During the year the company made charitable contributions of £6,274 (2012: £6,724).

EMPLOYEES

The company does not discriminate between employees on the grounds of race, ethnic origin, age or sex. Equal opportunity is given to all suitable job applicants.

Applications for employment from disabled persons are given full and fair consideration with regard only to the ability of the candidates to carry out satisfactorily the duties of the job. Should an existing employee become disabled, every effort is made to ensure continuing employment with retraining arranged where necessary. Disabled persons share in the opportunities for career development and promotion while training takes account of any special needs.

Briefing and consultative procedures exist throughout the company to inform employees on matters of concern to them and to provide opportunities for comment and discussion.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

M T Mohammed
Director
30 MAY 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements 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 elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENIX HEALTHCARE LIMITED

We have audited the financial statements of Genix Healthcare Limited for the year ended 31 March 2013 which comprise the profit and loss account, the balance sheet, the cashflow statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 23. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. Following a period of underperformance on some of its NHS contracts the company are likely to be required to make repayments to a number of primary care trusts, the timing and amount of these repayments are not yet known. The company's directors have prepared a detailed cash flow forecast for the company, estimating these repayments, for the period ending 31 March 2016 which indicates that the company is unable to meet its' liabilities as they fall due without additional funding of approximately £1m. The precise magnitude of this funding gap is very much dependent on the outcome of negotiations in respect to repayments, both in terms of absolute amount and repayment period and it is possible the funding requirement may be significantly lower in the period under review, being 12 months form the date of approval of the financial statements. Subsequent to the year end the increased facilities have not yet been negotiated.

At the year end the company are in breach of the banking covenants and the company's directors are in discussion with the current lender regarding the annual renewal of the existing overdraft and loan facility, and the possibility of obtaining further funding. As at May 2014 the lender has not currently recalled this loan or given any indication that they will, and therefore the directors have based their going concern assessment, including the additional funding required, on the basis that the loan is repayable in line with the original repayment terms.

The ability of the company to remain in operational existence and continue as a going concern is dependent upon securing the additional funding. Despite the lack of any formal offer of revised facilities from Handelsbanken ('the lender') or other finance providers, the directors of the company consider that sufficient financing facilities will be agreed, based upon their current view of the lender's intentions following ongoing discussions, and that this will enable the company to continue in operational existence for the foreseeable future.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENIX HEALTHCARE LIMITED

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anthony Farnworth BA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
30 May 2014

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2013

	Note	2013 £	2012 £
TURNOVER	2	13,373,580	11,988,897
Cost of sales		(7,059,087)	(5,890,971)
Gross profit		6,314,493	6,097,926
Administrative expenses		(6,688,653)	(6,057,824)
Other operating income		105,899	114,896
OPERATING (LOSS) / PROFIT	4	(268,261)	154,998
Interest payable and similar charges	5	(167,124)	(101,122)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(435,385)	53,876
Tax on (loss) / profit on ordinary activities	6	-	-
(LOSS) / PROFIT FOR THE FINANCIAL YEAR	19, 20	(435,385)	53,876

All activities derive from continuing operations.

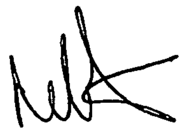
There are no recognised gains or losses in the current or preceding year other than the profit for the year as shown above. Accordingly, no statement of total recognised gains and losses has been presented.

BALANCE SHEET
31 March 2013

	Note		2013		As restated 2012
			£		£
FIXED ASSETS					
Intangible assets	7		2,263,810		1,061,067
Tangible assets	8		1,865,780		2,162,117
			4,129,590		3,223,184
CURRENT ASSETS					
Stocks	9	128,391		146,442	
Debtors	10	4,034,970		3,623,089	
Cash at bank and in hand		4,787		9,491	
		4,168,148		3,779,022	
CREDITORS: amounts falling due within one year	11	(6,934,552)		(4,033,085)	
NET CURRENT LIABILITIES			(2,766,404)		(254,063)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,363,186		2,969,121
CREDITORS: amounts falling due after more than one year	12		(953,550)		(2,124,100)
NET ASSETS			409,636		845,021
CAPITAL AND RESERVES					
Called up share capital	16		2,000,000		2,000,000
Profit and loss account	20		(1,590,364)		(1,154,979)
TOTAL EQUITY SHAREHOLDERS' FUNDS	21		409,636		845,021

The financial statements of Genix Healthcare Limited registered number 05515857 were approved by the Board of Directors on 30 MAY 2014.

Signed on behalf of the Board of Directors



M T Mohammed
Director

CASH FLOW STATEMENT
Year ended 31 March 2013

	Note	2013 £	2012 £
Net cash inflow from operating activities	1	266,179	295,709
Return on investments and servicing of finance	2	(167,124)	(101,122)
Capital expenditure	2	(1,610,715)	(458,346)
Net cash outflow before financing		(1,511,660)	(263,759)
Financing	2	1,038,934	203,062
Decrease in cash	4	(472,727)	(60,697)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2013 £	2013 £	2012 £	2012 £
Decrease in cash in period		(472,727)		(60,697)	
Cash inflow from increase in debt and lease financing	4	(1,038,934)		(603,992)	
Movement in net debt in the year			(1,511,661)		(664,689)
Net debt at 1 April			(2,377,673)		(1,712,984)
Net debt at 31 March	4		(3,889,334)		(2,377,673)

CASH FLOW STATEMENT (continued)
Year ended 31 March 2013

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £	2012 £
Operating (loss) / profit	(268,261)	154,998
Depreciation of tangible fixed assets	577,053	580,834
Amortisation of intangible fixed assets	127,257	75,132
Increase / (decrease) in stocks	18,051	(77,831)
Decrease in debtors	(411,881)	(817,300)
Increase in creditors and deferred income	223,960	379,876
Net cash inflow from operating activities	266,179	295,709

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2013 £	2012 £
Returns on investments and servicing of finance		
Interest paid	(167,124)	(101,122)
Capital expenditure		
Purchase of tangible fixed assets	(280,715)	(458,346)
Purchase of intangible assets	(1,330,000)	-
Net cash outflow from capital expenditure	(1,610,715)	(458,346)
Financing		
New bank loans	1,395,000	612,000
Repayment of bank loans	(161,580)	(188,881)
Capital element of hire purchase repayments	(194,486)	(220,057)
Net cash inflow from financing	1,038,934	203,062

3. NON-CASH TRANSACTIONS

During the year the company entered into hire purchase transactions with a capital value at the inception of the contracts of £nil (2012: £400,930).

CASH FLOW STATEMENT (continued)
Year ended 31 March 2013

4. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2012	Cash Flow	At 31 March 2013
	£	£	£
Net cash:			
Cash at bank and in hand	9,491	(4,704)	4,787
Bank overdrafts	(496,852)	(468,023)	(964,875)
	(487,361)	(472,727)	(960,088)
Debt:			
Hire purchase agreements	(531,967)	194,486	(337,481)
Debts falling due within one year	(228,828)	(42,256)	(271,084)
Debts falling due after one year	(1,129,517)	(1,191,164)	(2,320,681)
	(1,890,312)	(1,038,934)	(2,929,246)
Net debt	(2,377,673)	(1,511,661)	(3,889,334)

1. ACCOUNTING POLICIES

The principal accounting policies are shown below. They have all been applied consistently in the current and preceding financial year.

Prior period adjustment

The company has revised the presentation of deferred income within the balance sheet as they feel the revised presentation is more appropriate. In the prior year deferred income of £1,025,807 was disclosed on the face of the balance sheet, this has now been reclassified to creditors due within one year. The restatement has resulted in a change from net current assets to net current liabilities, however net assets remain unchanged.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Preparation of accounts – going concern basis

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report.

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the financial statements.

Following a period of underperformance on a limited number of its NHS contracts the company is likely to be required to make repayments to the related NHS trusts. A significant element of these repayments are still not finalised in some cases, years after resolution should have been reached as per the contract terms. The company's directors have prepared a detailed cash flow forecast for the company for the period ending 31/03/2016 ("the Forecast") which includes a number of assumptions regarding income, expenditure and the value and timing of the NHS trust repayments. The Forecast indicates that the company is unlikely to be able to meet its' liabilities as they fall due without seeking additional funding of approximately £1m. The precise magnitude of this funding gap is very much dependent on the outcome of negotiations in respect to repayments, both in terms of absolute amount and repayment period and it is possible the funding requirement may be substantially lower in the period under review, being 12 months from the date of approval of the financial statements. Notwithstanding this uncertainty, the directors have identified the need to renegotiate and increase on the existing loan or to seek alternative sources of funding, alongside the need to improve the performance of the company.

At the year end the company are in breach of the banking covenants therefore the loan has been reclassified as payable within one year. As at May 2014 the lender has not currently recalled this loan or given any indication that they will, and therefore the directors have based their going concern assessment, including the additional funding required, on the basis that the loan is repayable in line with the original repayment terms.

The company's directors have been in discussion with the current lender regarding the annual renewal of the existing overdraft facility in June 2014, the existing loan facility (originally due for repayment in July 2015) and the possibility of obtaining further funding. The current lender continues to work with the company and is currently exploring the option of renegotiating the current loan facility with a view to providing the increased levels of funding required. Negotiations are continuing with the expectation of a formal proposal being received in the near future.

In the event of a change in the current stated intentions of the company's bankers or adverse trading conditions significantly different to that forecasted, such that the negotiations did not conclude satisfactorily, the Directors would need to replace the previous bank facilities with new funding facilities appropriate to the Company's ongoing requirements. The Director's are confident that there are alternative solutions available to them should this occur.

The lack of an agreed finance facility to meet the needs of the business for a period of at least 12 months from the date of approval of the financial statements is a material uncertainty which casts significant doubt about the company's ability to continue as a going concern for the foreseeable future and as a result it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Despite the uncertainty around the on-going availability of finance, the directors of the company believe that the prospect of a satisfactory resolution is high, based upon their current view of the lender's intentions and that this will enable the company to continue in operational existence for the foreseeable future and therefore have concluded that it is appropriate to prepare the financial statements on a going concern basis.

1. ACCOUNTING POLICIES (continued)

This financial information therefore does not include the adjustments that would result if the company were unable to continue as a going concern. In the event the company ceased to be a going concern, the adjustments would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

Acquisitions

On the acquisition of a business, fair values are attributed to the company's share of the identifiable assets and liabilities acquired. Where the cost of acquisition is more than the values attributable to such assets and liabilities, the difference is treated as goodwill.

Intangible assets - goodwill

Goodwill arising on acquisitions is capitalised and written off on a straight line basis over its estimated useful economic life, which is 20 years. Provision is made for any impairment.

Tangible fixed assets

Fixed assets are stated at purchase price, less depreciation. Depreciation is provided in order to write off the cost less residual value of fixed assets, as follows:

Improvements to property	-	in accordance with the lease term
Plant and machinery	-	25% reducing balance
Fixtures and fittings	-	25% reducing balance
Motor vehicles	-	25% reducing balance
Computer equipment	-	25% reducing balance

Stocks

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the 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.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

1. **ACCOUNTING POLICIES (continued)**

Revenue recognition

Revenue represents the value of dentistry goods or services supplied. NHS income is recognised based on the levels of dental activity delivered. Where there is under delivery against target levels the amount is included within deferred income. Private treatment revenue is recognised on the completion of each piece of treatment carried out.

Grants

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

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying value amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Finance costs are recognised in the profit and loss account over the terms of such instruments at a constant rate on the carrying amount.

Pension

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. **TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and, where applicable, value added tax. The turnover and pre-tax profit all arise in the United Kingdom.

3. **INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The following information excludes associate dentists who are self employed.

	2013	2012
Directors' remuneration	£	£
Emoluments	226,319	302,351
Company contributions to money purchase pension schemes	9,003	6,866
	235,322	309,217

The number of directors who:	**Number**	**Number**
Are members of a defined benefit pension scheme	Nil	Nil
Are members of a money purchase pension scheme	1	1

	2013	2012
Remuneration of the highest paid director:	£	£
Emoluments	125,422	165,750
Company contributions to money purchase schemes	9,003	6,866
	134,425	172,616

Staff costs during the year (including directors)		
Wages and salaries	3,273,399	2,959,981
Social security costs & employer Pension	296,843	249,210
	3,534,980	3,209,191

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2013 No.	2012 No.
Average number of persons employed		
Administration	38	31
Dental practices	214	222
	252	253

4. OPERATING (LOSS) / PROFIT

	2013 £	2012 £
Operating (loss) / profit is stated after charging/(crediting):		
Depreciation - owned assets	411,537	417,118
Depreciation – assets on hire purchase contracts	165,516	163,716
Goodwill amortisation	127,257	75,132
Operating leases	762,581	644,830
Amortisation of grants	(64,063)	(73,063)
Auditor's remuneration:		
For the audit of the company's accounts	20,400	15,000
Non audit fees:		
Tax services	16,140	1,750

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Interest on hire purchase and finance leases	41,142	30,508
Bank loan interest	125,982	70,614
	167,124	101,122

6. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2013 £	2012 £
United Kingdom corporation tax based on the (loss) / profit for the year	-	-
Adjustments in respect of prior periods	-	-
		-
Deferred taxation	-	-
Total current tax	-	-

The standard rate of tax for the year, based on the UK small company's rate of corporation tax is 20% (2012: 20%). The actual tax charge for the current year is different to the standard rate for the reasons set out in the following reconciliation.

	2013 £	2012 £
(Loss) / Profit on ordinary activities before tax	(435,385)	53,876
Tax on (loss) / profit at standard rate	(87,077)	10,775
Factors affecting charge for the year		
Expenses not deductible for tax purposes	9,475	10,427
Capital allowances for the year in excess of depreciation	90,415	107,152
Income not taxable for tax purposes	(12,813)	(14,613)
Utilisation of tax losses	-	(113,741)
Total actual amount of current tax	-	-

7. INTANGIBLE FIXED ASSETS

	Purchased goodwill £
Cost	
At 1 April 2012	1,502,630
Additions during the year	1,330,000
	2,832,630
Amortisation	
At 1 April 2012	441,563
Amortisation for the year	127,257
At 31 March 2013	568,820
Net book value	
At 31 March 2013	2,263,810
At 31 March 2012	1,061,067

8. TANGIBLE FIXED ASSETS

	Property improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 April 2012	393,686	2,300,386	747,062	389,423	443,089	4,273,646
Additions	-	208,494	31,001	-	41,221	280,716
Disposals	-	-	-	-	-	-
At 31 March 2013	393,686	2,508,880	778,063	389,423	484,310	4,554,362
Accumulated depreciation						
At 1 April 2012	162,723	1,137,671	433,185	149,147	228,803	2,111,529
Charge for the year	54,712	306,107	97,602	59,917	58,715	577,053
Disposals	-	-	-	-	-	-
At 31 March 2013	217,435	1,443,778	530,787	209,064	287,518	2,688,582
Net book value						
At 31 March 2013	176,251	1,065,102	247,276	180,359	196,792	1,865,780
At 31 March 2012	230,963	1,162,715	313,877	240,276	214,286	2,162,117

Included within the value of plant and machinery above are assets held under hire purchase contracts and finance leases with a net book value of £496,547 (2012: £662,063).

9. STOCKS

	2013 £	2012 £
Raw materials and consumables	128,391	146,442

10. DEBTORS

	2013 £	2012 £
Trade debtors	851,880	776,499
Amounts due from group undertakings	2,757,318	2,577,810
Other debtors	363,026	168,120
Prepayments	62,746	100,660
	4,034,970	3,623,089

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	As restated 2012 £
Bank overdraft	964,875	496,852
Bank loans (note 13)	2,591,765	228,828
Obligations under hire purchase contracts and finance leases (note 14)	156,069	195,586
Trade creditors	700,360	871,193
Other creditors	807,973	880,950
Other taxes and social security	63,842	98,968
Accruals and deferred income	1,536,171	1,082,390
Deferred grant income	113,497	178,318
	6,934,552	4,033,085

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £	2012 £
Bank loans (note 13)	-	1,129,517
Obligations under hire purchase contracts and finance leases (note 14)	181,412	336,381
Amounts owed to director	772,138	658,202
	953,550	2,124,100

The loan to the company from the director is interest free. The director has given an undertaking that these funds will not be withdrawn from the business within 12 months.

13. BANK LOANS

An analysis of the maturity of loans is given below:

	2013 £	2012 £
Within one year	2,591,765	228,828
Between one and two years	-	228,828
Between two and five years	-	686,484
After more than five years	-	214,205
	2,591,765	1,358,345

Due to the breach in covenant noted at the year end the loan has been reclassified as due within one year (note 12). The bank loans and overdraft are secured by a debenture over the company's assets. The loan is repayable by quarterly instalments over a 10 year profile with a final balancing payment to be made on 12 July 2015 and attracts interest at 3.75% over LIBOR.

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES

	2013 £	2012 £
Within one year	156,069	195,586
Between one and two years	115,238	154,464
Between two and five years	66,174	181,917
	337,481	531,967

Obligations under hire purchase contracts and finance leases are secured on the assets to which they relate.

15. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Called up allotted and fully paid		
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000

16. FINANCIAL COMMITMENTS

Capital commitments

	2013 £	2012 £
Contracted for but not provided	-	-

Operating lease commitments

At 31 March 2013, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	-	-	-	-
Within two to five years	774,301	-	722,941	-
After five years	45,840	-	12,240	-
	820,141	-	735,181	-

17. DEFERRED TAXATION

The amounts of deferred taxation provided in the financial statements, and the amounts not provided, are as follows:

	Provided 2013 £	Provided 2012 £	Not provided 2013 £	Not provided 2012 £
Accelerated capital allowances	-	-	(184,342)	(101,383)
Revenue losses (potential asset)	-	-	(100,015)	(90,790)
	-	-	(284,357)	(192;173)

A deferred tax asset has not be recognised in respect of tax losses carried forward as there is insufficient evidence that the asset will be recovered.

18. CONTINGENT LIABILITIES

The company has given a debenture dated 29 March 2012 to Svenska Handelsbanken AB to secure all current and future amounts due to the Bank. The amount outstanding at 31 March 2013 is £3,501,866 (2012: £1,842,185).

There is a cross guarantee between this company and its fellow subsidiary undertaking A&H Developers Limited in favour of Svenska Handelsbanken AB to secure amounts due to the Bank from A&H Developers Limited. The amount outstanding at 31 March 2013 is £2,046,000(2012: £1,962,000).

19. RESERVES

	Profit and loss account
	£
At 1 April 2012	(1,154,979)
Loss for the year	(435,385)
At 31 March 2013	(1,590,364)

20. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2013	2012
	£	£
(Loss) / Profit for the financial year	(435,385)	53,876
Net (reduction) / addition to shareholders' funds	(435,385)	53,876
Opening shareholders' funds	845,021	791,145
Closing shareholders' funds	409,636	845,021

21. RELATED PARTY DISCLOSURES

Genix Healthcare Limited is a wholly owned subsidiary of Sharif Holdings Limited, a company resident in Dubai. In note 10, included within debtors is an amount of £2,757,318 (2012: £2,577,810), owed by A&H Developers Limited, a fellow subsidiary of Sharif Holdings Limited. Included in trade creditors (note 11) is an amount of £51,756 (2012: £55,053) owed to A&H Developers Limited.

During the year Genix Healthcare Limited paid rent of £609,077 (2012: £540,282) to A&H Developers Limited for use of its properties.

Included within other income are management fees of £41,836 (2012: £41,836) received from A&H Developers Limited for the provision of administrative services during the year.

Included within other debtors is an amount of £345,557 (2012: £49,958) due from Sparkle Dental Labs Limited, a company under common control.

In note 12, included within creditors is an amount of £772,138 (2012: £658,202) owed to Mr Mustafa Mohammed, movements in the year constitute provision/repayment of working capital.

22. ULTIMATE CONTROLLING PARTY

In the opinion of the directors the company's ultimate controlling party is Mr Mustafa Mohammed.

23. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £ 35,262 (2012: £31,843). Contributions outstanding at the balance sheet date were £2,718 (2012: £3,234).