

THE JAMES MAIN DENTAL PARTNERSHIP LTD.

BUSINESS PLAN VERSION 3.0

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SECTION ONE

EXECUTIVE SUMMARY

1.1 GROWTH TRENDS FOR THE UK PRIVATE DENTISTRY INDUSTRY

The rationale for future high growth in the private sector is largely historical, and is based on the fact that after the 1992 fee cut under NHS system many UK practices decided to contract out of the NHS and go private. As a result, according to the latest data (September 2005) from the Dental Practice Board covering England and Wales, now only 44.6% of adults and 61.9% of the under 18 population are currently registered with a dentist¹. Ten years on from the fee cut, the Laing and Buisson survey² (published January 2003) on UK Dental Care stated:

"Income from private patients grew strongly from 38% to 51% of total income as higher private fees have driven up income levels at the same time as NHS fees have increased only marginally."

The trend for the general population to move away from a previously NHS supported system towards a private fee-paying one is further highlighted by the fact that Denplan (the market leader in private capitation³ plans) alone saw 225,000 new patients registering with its 6,000 member dentists in 2004⁴.

1.2 COMPANY ORIGINS AND BUSINESS OPPORTUNITY

James Main graduated from Edinburgh University with a Bachelor in Dental Surgery in 1984. He began his professional career at Westminster Hospital in London (then the Hospital to the Houses of Parliament) before joining the Royal Navy in 1985. He retired from the Royal Navy in 1990 as a Surgeon Lieutenant Commander (D) and up until 1999 worked as a general dental practitioner in various locations such as Chester, Manchester, Isle of Wight and the Cayman Islands.

It was on his return from the Cayman Islands in 1999 that he became aware of the growth potential for the private dentistry industry in the UK, and thus began to formulate his own strategy for the creation of an innovative partnership scheme that would improve the provision and profitability of private dentistry services throughout the South West of England.

At the time of the 1992 NHS fee cut, for any dentist over the age of 50 it did not make economical sense for them to contract out of the NHS, as they would have lost out from the full benefit from the NHS Superannuation Pension Scheme especially when they were so near to retirement. A decade later, many of these practices are now likely to be up for retirement sale in the next few years, offering a ready made private practice with much potential as many of these practitioners were reared on the NHS and have tended not to offer the latest in dental treatment, especially in terms of high level cosmetic care. Furthermore, they are also likely not to have invested heavily into their practice in both infrastructure and administrative and financial management procedures.

In 2003, the British Dental Association (BDA) reported research indicating that, by 2007, there will be over 2,000 largely private practices in the UK (one in five practices). In addition, 2004 and 2005 have been record years for practice conversion organisations⁵. In January 2002, there were thought to be a

¹ http://www.dpb.nhs.uk/gds/latest_data.shtml

² <http://www.laingbuisson.co.uk/DentalCare%20Report%202003.htm>

³ Capitation plans allow patients to have restorative work and regular maintenance carried out for a fixed monthly fee which is collected by the plan insurer.

⁴ <http://www.hi-mag.com/healthinsurance/article.jsp?articleid=1121051972909>

⁵ <http://www.bda.org/advice/docs/BDA%20response%20to%20draft%20regs%20Sep%202005.pdf>



total of 9,985⁶ dental practices in the UK. At that time, fewer than 20% of these were thought to be purely private practices. Recent estimates place practice conversion rates at around 300 every year⁷.

In essence, the partnership scheme aims to improve the level of dental healthcare service to private patients in the region and to capture a large part of the growing conversion market for private patients.

This will be achieved through the purchase of underperforming practices in the South West and integrating them across the region to form a recognised brand that will be synonymous with state-of-the-art dentistry and a personalised and friendly service. In particular it will focus on the high-growth market of cosmetic dentistry, and overall profitability levels will be increased through economies of scale and group purchasing power.

The main competitive advantage of The James Main Dental Partnership business model is that it will acquire a number of smaller, independent practices in the South West Region which are believed to have fallen underneath the screening radar of the large corporate chains due to the fact that they did not meet the acquisition criteria. Reasons for this include the fact that they may be small practices often with only one incumbent dentist, and usually not prime / high street locations with high overhead costs. It is believed there is still a large amount of stock of independent practices in the South West which are both small and underperforming, and also with the potential for the practice to be expanded.

Another of the unique differentials of partnership scheme currently compared to other identified corporate chains of dental practices is that it will allow both new and established dentists to become equity partners at a later date, thus motivating higher levels of productivity and customer service. Furthermore, this arrangement will also allow Mr Main to recruit the best young dentists as he builds his vision for 'Harley Street Dentistry' in the South West by allowing young dentists unwilling or unable to take on further large loans after graduating to buy into a profit-sharing partnership within two years of joining. Established independent dentists with their own practices are also likely to want to exchange these for equity in order to join the partnership and benefit from a strong referral system and a fuller provision of dentistry services as well as the clear advantage of profit-share, thus providing a convenient exit for early-stage investors.

The first stage of implementing his partnership strategy began in November 2002 when Mr Main purchased the practice of Mr. Hodgins whose Glastonbury-based practice had been established since 1976 and converted into a private / Denplan practice in 1994. Within two years of operations under his management, he has been successful in increasing the fees receivable of the practice by over 125% and profitability levels by over 60%.

He is currently in the process of purchasing a second practice (based in Highcliffe, Bournemouth) for integration using conventional bank funding and has recently identified over 10 potential acquisitions that could be made in the region. However, substantial external funding at this stage would capitalise on a secular opportunity in the dentistry industry for the purchase of underperforming practices, thus accelerating development on a much larger scale.

1.3 THE SERVICE

Fundamentally The James Main Dental Partnership will be a high tech general dental practice, with a friendly, West Country atmosphere. There will be a particular focus on offering all forms of cosmetic Dentistry, and more complicated specialist services for Orthodontics, Endodontics, Implantology and Periodontics will be offered as the Partnership grows.

The emphasis of the services provided would be based on the Practice Mission Statement (see Appendix II), which is to provide patients with a comfortable mouth and a confident smile in a caring environment with high quality, cost effective Dentistry.

⁶ <http://www.offt.gov.uk/NR/rdonlyres/49924616-E891-431E-A004-2D829A4BF988/0/oft630c.pdf>

⁷ <http://www.hi-mag.com/healthinsurance/article.jsp?articleid=1121051972909>



Most of the private practices in the UK have built a loyal patient base and the industry in general is characterised by a very strong dentist-patient relationship of trust. Once the decision is taken to 'go private', it is inevitable they will become more discerning and will go to the practice that offers the best quality treatment and a service with which they can trust and feel comfortable.

James Main has a proven track record and knowledge in the best techniques in order to ensure that trust is transferred to patients. Establishing a strong corporate ethos and a good management structure within the practices should create a considerable competitive edge over competitors.

The James Main Dental Partnership has established a clear philosophy on patient care and has also implemented clear management and financial structures. In 2004 its Glastonbury Practice was nominated and short-listed for the Private Practice Awards under the category of Most Improved Practice. Furthermore, the partnership has been awarded the BDA Good Practice Award, which is a reflection on the quality of the Administrative and Management structures in place.

The James Main Dental Partnership intends to bring 'Harley Street Dentistry' to the West Country whilst ensuring the Practices retain a personal and friendly West Country service. Coupled with a well-marketed corporate identity, this strategy is expected to provide the basis for a winning formula.

1.4 THE MARKET

The UK general dentistry market is currently worth £3.8 billion, of which the private dental market is worth £2 billion, according to the most recent figures from DataMonitor⁸. Private dentistry has grown strongly, due to reduced access to NHS dentistry as a result of the fee cut imposed by the government in 1992. The current growth rate of the dentistry industry is thought to be around 10% annually.

The number of adults registered with NHS dentists dropped by five million between 1994 and 2004. The new dental contract to be introduced in April 2006 is likely to further increase this rate of decline as more people are forced to go private. The market for capitation plans, of which Denplan is the leader with a 69.7% share, is growing rapidly and was worth £321 million in 2004 according to DataMonitor. The growth of the capitation market is expected to accelerate considerably after April 2006.

Cosmetic dentistry (whitening, crowns, bridges, veneers, invisible braces, etc.) incorporating recent industry-related technological advances such as Implantology is also experiencing high exponential growth, and is expected to increase revenues significantly for dentistry in general.

1.5 PERSONNEL

The two directors will be James Main and his wife Jo Main (see Appendix I for curricula vitae). Neither Mr Main nor his wife will draw a director's salary but will instead earn from the business as the Senior Dental Associate / Managing Director, and as the Group Human Resources Manager respectively.

Since retiring from the Royal Navy in 1990 as a Surgeon Lieutenant Commander (D), Mr Main has worked as a general dental practitioner in Chester, Manchester, Isle of Wight, Cayman Islands, Yeovil and now Glastonbury where he owns his own practice.

His wife Jo Main has been the practice manager for the Glastonbury Practice and has been responsible for all the administration aspects of the business, including book-keeping and recruitment and training of employees. She is an associate member of the Chartered Institute of Personnel & Development CIPD and holds a CIPD Certificate in Personnel Practice & Training.

An Operations Manager of suitable calibre needs to be recruited in order to assist with the identification of suitable practices for acquisition and their posterior integration within the group. Assistance with

⁸ 'The Private Dental Care Market in the UK' published August 2005. www.datamonitor.com/financial



the integration process will come from the Human Resources Manager, Jo Main, until the Practice Managers (three in total, one per every four practices) begin to be recruited in Year 2. The Practice Managers will be responsible primarily for the book-keeping and administration tasks under the overall supervision of the Operations Manager.

At group level, non-productive salary costs (i.e. excluding dentists and hygienists) are forecast in Year 1 at 17.6% of turnover (dropping to 16.7% by Year 3) and total headcount is forecast to reach 94 in Year 3 (although Dentists and Hygienists would be employed on a commission-based contractual basis).

1.6 FUNDING REQUIREMENTS & PROPOSED INVESTMENT STRUCTURE

The venture requires a staged investment of £1.6 million of external funding (mixture of equity and debt) over three years, with £800k required in Year 1, £600k in Year 2, and £200k in Year 3. Ideally, the combination of two investors would allow the available opportunities for EIS tax relief opportunities to be maximised. The money would be used to purchase the goodwill of a further 12 existing private dental practices in the South West region of England. Figure 1.1 indicates a proposed investment structure:

Figure 1.1 - Proposed Investment Structure

	YEAR 1 2006 / 07		YEAR 2 2006 / 07		YEAR 3 2006 / 07	
SHARE SUBSCRIPTIONS	£	Holding	£	Holding	£	Holding
Investor 1	200,000	12.50%	200,000	16.67%	-	16.67%
Investor 2	200,000	12.50%	200,000	16.67%	-	16.67%
J R Main	-	75.00%	-	66.67%	-	66.67%
	£400,000	100.00%	£400,000	100.00%	£0	100.00%
LOAN STOCK @ 15% COMPOUND INTEREST (Redeemable after 3 years from drawdown)						
Investor 1	200,000		100,000		100,000	
Investor 2	200,000		100,000		100,000	
	£400,000		£200,000		£200,000	
Total finance from investors	£800,000		£600,000		£200,000	

The equity part of the investment for each individual investor would consist of a separate £200,000 subscription for Ordinary 'A' shares with full voting rights (EIS qualifying) in each of the Years 1 and 2. Given that EIS investments attract 20% income tax relief per tax year, this would effectively amount to an annual investment of £160,000 for an income taxpayer.

The debt part of the investment is for £200,000 in Year 1 and £100,000 in Years 2 and 3 for each investor, and is proposed to be made via cumulative redeemable preference shares or suitable loan stock. The debt is proposed as carrying a compound interest rate of 15%, to be redeemed after 3 years, effectively giving a total return after 36 months of £156,817 on each £100,000 invested annually.

The timetable for investment is April 2006. The General Dental Council recently consulted on and laid before Parliament in 2005 a proposal regarding Section 60 reform order of the Dentists Act of 1984 which in essence proposed to remove the restriction on the nature of the business, and to remove the unnecessary provision in relation to operating staff. As a result of recent progress of the proposal, it is expected that the restrictions will now be lifted by April 2006, thus allowing dentists to operate their practice as limited companies or limited liability partnerships.

Consultations with HM Revenue & Customs have indicated that dentistry is a qualifying trade for the government's Enterprise Investment Scheme, and so the funding structure is proposed as a mixture of equity and debt, and is designed to offer early-stage investors an attractive entry and exit strategy.



1.7 FINANCIAL FORECAST HIGHLIGHTS

Exit options for equity investors are expected to appear as soon as Year 3 when young dentists having worked within the company for over two years will be allowed to buy into the partnership as junior partners, and established dentists with practices will be allowed to exchange their practices to the partnership for equity in and around the same timescale, once a critical mass has been established.

A highlights summary of the financial forecasts is shown in figure 1.3 and is based on the purchase and integration of 12 new practices with the existing Glastonbury and Highcliffe Practices over years 1 to 3:

Figure 1.2 Financial forecasts highlights

FORECAST GROUP SUMMARY HIGHLIGHTS							
YEAR ENDING	YEAR 1 March '07	YEAR 2 March '08	YEAR 3 March '09	YEAR 4 March '10	YEAR 5 March '11	YEAR 6 March '12	YEAR 7 March '13
Total practices by year end	6	10	14	14	14	14	14
	£	£	£	£	£	£	£
Turnover (patient fees)	1,845,631	4,098,319	6,546,302	7,678,317	8,062,233	8,465,345	8,888,612
Percentage increase on previous year		122.1%	59.7%	17.3%	5.0%	5.0%	5.0%
Gross profit	687,870	1,609,356	2,633,175	3,154,653	3,395,616	3,574,832	3,763,340
Margin	37.3%	39.3%	40.2%	41.1%	42.1%	42.2%	42.3%
Percentage increase on previous year		134.0%	63.6%	19.8%	7.6%	5.3%	5.3%
Operating profit	70,340	404,556	764,378	1,061,452	1,228,150	1,330,697	1,440,047
Margin	3.8%	9.9%	11.7%	13.8%	15.2%	15.7%	16.2%
Percentage increase on previous year		475.1%	88.9%	38.9%	15.7%	8.3%	8.2%
Pre-tax profit after interest charges	(18,438)	296,880	638,840	715,156	1,003,458	1,118,921	1,358,978
Margin	-1.0%	7.2%	9.8%	9.3%	12.4%	13.2%	15.3%
Percentage increase on previous year		1710.2%	115.2%	11.9%	40.3%	11.5%	21.5%
Retained profit after tax	(24,157)	214,345	434,956	483,550	677,433	755,081	916,520
Margin	-1.3%	5.2%	6.6%	6.3%	8.4%	8.9%	10.3%
Percentage increase on previous year		987.3%	102.9%	11.2%	40.1%	11.5%	21.4%
Non-productive wages as % of sales	17.06%	15.61%	15.70%	14.97%	14.76%	14.54%	14.34%
Balance sheet	£	£	£	£	£	£	£
Year end cash balances	131,878	364,775	505,357	752,878	1,459,726	2,194,509	3,331,982
Minimum cash balances in year	73,736	195,367	122,597	311,327	641,807	1,270,826	1,979,173
Cash surplus/(deficit) for the year	131,878	232,897	140,582	247,521	706,848	734,783	1,137,473
Net current assets	(71,639)	(76,206)	(231,589)	(30,046)	565,380	1,238,455	2,272,969
Total net assets	405,843	1,020,188	1,455,145	1,938,695	2,616,127	3,371,209	4,287,729
Breakeven analysis	£	£	£	£	£	£	£
Breakeven turnover per annum	1,864,069	3,801,439	5,907,462	6,963,161	7,058,775	7,346,424	7,529,634
Turnover as a % of breakeven	99%	108%	111%	110%	114%	115%	118%

1.8 AIMS AND OBJECTIVES

The primary mission of The James Main Dental Partnership is to establish a highly profitable and revenue-generating medium-sized partnership of private dental practices in the South West of England with an integrated management structure and a profit-sharing arrangement for future partners.

The secondary mission is to provide an attractive exit strategy for early-stage investors at the beginning of Year 4 when it is expected that young dentists and established practices will want to exchange their practices for equity in the partnership in order to enjoy the benefits of an integrated structure and profit-share. The main aims and objectives for Years 1 - 3, starting in April 2006, are to:



1. Purchase a further twelve underperforming private dental practices (at a minimum rate of four a year) in the South West region using private finance. A higher rate of acquisition may be possible depending on finance available and a stock of suitable practices for purchase.
2. Recruit suitably motivated Dentists to run these practices with a view to allowing them to buy into the partnership within two to three years.
3. Substantially increase the gross of the practices and hence the profitability, at the same time significantly increasing the goodwill inherent in the practices.
4. Achieve economies of scale through group purchasing power for materials and lab services.

After Year 3, the company would look to further expand the network of practices above the initial target figure of twelve practices as suitable opportunities arose. However, the directors believe that expansion is more likely to come from independent dental practices looking to join the partnership through exchange of their established practices for equity. This, in addition to young dentists wishing to buy into the partnership, would provide the above-mentioned exit route for early-stage investors.

1.9 HISTORICAL FINANCIAL PERFORMANCE

In the two years since taking over the George Hodgins' practice in Glastonbury, The James Main Dental Partnership has increased the fees receivable (turnover) by over 125% and increased the profitability by over 60%, based on the most up date data available. A summary of the historical company financial performance since 1996 and comparison under the two different owners is shown in figure 1.1 and in the Appendices:

Figure 1.3 Previous financial performance

PREVIOUS FINANCIAL PERFORMANCE GLASTONBURY PRACTICE (1996 - 2005) G A HODGINS & J R MAIN											
YEAR ENDING †	G A Hodgins						J R Main				
	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	6 '02/03	6mth '03	2003-04	2004-05	6mth '05
	£	£	£	£	£	£	£	£	£	£	£
Turnover (patient fees)	110,675	113,768	113,887	125,001	118,803	115,238	64,698	82,264	252,548	286,809	155,232
Percentage increase on previous year		2.8%	0.1%	9.8%	-5.0%	-3.0%			71.8%	13.8%	22.9%
Gross profit	98,945	103,484	102,476	113,877	106,250	103,575	57,199	66,047	206,270	226,654	-
Margin	89.4%	91.0%	90.0%	91.1%	89.4%	89.9%	88.4%	80.3%	81.7%	79.0%	0.0%
Percentage increase on previous year		4.6%	-1.0%	11.1%	-6.7%	-9.0%			67.4%	9.9%	-100.0%
Operating profit	59,757	59,761	57,839	65,168	58,571	54,895	32,959	39,274	108,789	126,476	-
Margin	54.0%	52.5%	50.8%	52.1%	49.3%	47.6%	50.9%	47.7%	43.1%	44.1%	0.0%
Percentage increase on previous year		0.0%	-3.2%	12.7%	-10.1%	-6.3%			19.2%	50.6%	16.3%
Pre-tax profit after finance & dep	50,202	50,934	50,035	61,299	55,723	51,395	27,259	31,078	81,773	86,249	-
Margin	45.4%	44.8%	43.9%	49.0%	46.9%	44.6%	42.1%	37.8%	32.4%	30.1%	0.0%
Percentage increase on previous year		1.5%	-1.8%	22.5%	-9.1%	-7.8%			40.2%	5.5%	-100.0%

† Half-yearly figures are extrapolated to a full-yearly basis in order to calculate % changes on previous year.

1.10 SCOPE OF THIS BUSINESS PLAN

This business plan covers the initial phase in the development of the James Main Dental Partnership from Years 1 to 3 during which 12 new practices are expected to be acquired and integrated within the partnership. The financial forecasts contained within this plan show a seven year forecast in order to demonstrate to potential investors the potential valuation of the partnership at any given desired exit point and the overall group position as the high-coupon debt is being redeemed between Years 4 and 6.

As indicated by the aims and objectives set out above, further capital expenditure and recruitment is planned for future years and cash flow forecast certainly indicate that there will be cash surpluses available for this. However, this will be dealt with as separate projects as and when they occur.



SECTION TWO

THE BUSINESS MODEL

2.1 THE OPPORTUNITY

In January 2002, there were thought to be a total of 9,985⁹ dental practices in the UK. At that time, fewer than 20% of these were thought to be purely private practices.

In 2003, the British Dental Association (BDA) reported research indicating that, by 2007, there will be over 2,000 largely private practices in the UK (one in five practices). In addition, 2004 and 2005 have been record years for practice conversion organisations¹⁰.

Recent estimates place practice conversion rates at around 300 every year¹¹ and, furthermore, the new dental contract to be introduced in April 2006 is expected to drive yet more of these independent practices into the private sector, thereby increasing the market place for private dentistry.

Dentistry in the UK is changing. Prior to 1992 virtually all dentistry in the region was carried out under the NHS system but since the fee cut in 1992 many practices in the South West and South Wales decided to contract out of the NHS and go private. At that time, for any dentist over the age of 50 it did not make economical sense for them to contract out of the NHS, as they would have lost out from the full benefit from the NHS Superannuation Pension Scheme especially when they were so near to retirement.

A decade later, many of these practices are now likely to be up for retirement sale in the next few years, offering a ready made private practice with much potential as many of these practitioners were reared on the NHS and have tended not to offer the latest in dental treatment, especially in terms of high level cosmetic care. Furthermore, they are also likely not to have invested heavily into their practice in both infrastructure and administrative and financial management procedures.

In addition, it is also believed that many dentists are very competent professionals but not such good business managers and therefore much could be done to improve revenues and profitability. It is this niche sector that forms the target market for acquisitions by The James Main Dental Partnership.

On the other side of the equation, newly qualified dentists, on being surveyed, state their preference to work in the private sector yet seem more reluctant to take on large financial responsibilities as they already leave University (usually) with large levels of personal debts.

Therefore, it is thought that all of the above factors will enable The James Main Dental Partnership (armed with a mission to provide Harley Street Dentistry in the South West, and a unique proposition for young and established dentists wishing to buy into a well-established partnership at a later date) to capitalise on a secular opportunity within a stable market anticipating high levels of future growth.

2.2 THE COMPETITION

Currently, there are around 10,000 dental practices in the UK. The vast majority of these (around 80%) are practices still affiliated to the NHS as opposed to practices dealing solely with the more lucrative private sector. In the South West most dentistry is delivered by privately owned individual dental practices, although the large corporate chains do have a presence.

⁹ <http://www.oft.gov.uk/NR/rdonlyres/49924616-E891-431E-A004-2D829A4BF988/0/oft630c.pdf>

¹⁰ <http://www.bda.org/advice/docs/BDA%20response%20to%20draft%20regs%20Sep%2005.pdf>

¹¹ <http://www.hi-mag.com/healthinsurance/article.jsp?articleid=1121051972909>



As things stand (and until the regulations are relaxed in April 2006), there are currently 28 Dental Bodies Corporate (DBC's) permitted to carry on the business of dentistry in the UK. Dental Bodies Corporate (or in practical terms, companies) were originally banned from carrying on the 'business of dentistry' by the Dentists Act 1956. However, those in existence when the legislation was introduced were allowed to remain. Below are brief profiles of the largest Dental Bodies Corporate:

1. Oasis Dental Care Ltd.

The market leader in England and Wales, Oasis Dental Care Ltd., currently operates almost 130 dental practices and had a turnover in 2004 of £74 million. Since its flotation on the London Alternative Investment Market (AIM) of the mother company Oasis Healthcare PLC (of which Oasis Dental Care is a wholly owned subsidiary) in July 2000, Oasis has raised over £50m of equity and debt finance which has provided a strong funding platform for acquiring 67 independent dental practices. Some of the largest acquisitions of competing chains have included Ora Dental Group Holdings Ltd (10 sites) in 2002 and The Dencare Management Group Ltd (36 sites) in 2003. Despite the size and turnover of the chain of dental practices, Oasis Healthcare PLC currently boasts a total company market valuation of only £10 million due to the large amount of debt currently being carried.

2. Integrated Dental Holdings

IDH operates around 120 dental centres across the country with over 800,000 registered patients. 18 of the 120 centres are based in the South West, including 6 in Bristol and 3 in Exeter. It treats around 650,000 NHS patients and 100,000 private patients each year¹².

3. The Dental Clinic - (Optical Express)

Optical Express recently bought the 56 dental practices of Boots Wellbeing Services which boasted 150,000 registered patients, 96 percent of whom were fee-payers.

4. James Hull Associates

James Hull Associates has 32 dental practices across the UK, including 4 in the South West, 2 of which are based in Bristol and 2 in Devon.

5. Genesis

A new entrant to the market is Genesis. In September 2005 Genesis opened 3 new practices in the East Midlands Region, with plans to grow that number to 30 in three years, and 50 within 5 years. The focus is on building new practices from scratch in economically deprived and rural areas, and as a result Genesis will enjoy charitable status and part-funding from public organisations. Its most difficult challenge, however, is expected lie in "recruiting dental professionals who are keen to work in a culture where ethics and moral values are held high and where profits do not come before excellence in dental care¹³".

2.2.1 BRIEF SYNOPSIS OF DBC PERFORMANCE IN RECENT YEARS

Certainly in recent years, the majority of the DBCs (corporate chains) have incurred sizeable amounts of debt in building up large scale, consolidated dental care operations with the objective of offering significant cost reduction benefits through volume purchasing of materials and equipment, and also centralising of administration overheads.

The result in fact, however, has often been that financial performance has been modest at best and returns for shareholders scant - the Boots Wellbeing chain of dental and footcare practices which

¹² <http://www.integrateddental.co.uk/article.asp?id=72>

¹³ <http://www.genesisdentalcare.org/news.php>



opened in 1999 never made a profit. Its loss of £33m on a turnover of £231m in 2002 was its last before being sold to Optical Express.

Oasis, at least according to the chairman's report in its 2005 report to shareholders¹⁴, seems to be faring slightly better after acquiring 'well-established profitable dental practices', but these have tended to be larger operations (perhaps strings of up to 2 to 4 practices owned by the same partnership being bought out in a single operation), and usually have capacity for 3 or more dentists to operate in one location in order to spread the overheads and reduce cost ratios. As regards financial performance, the parent company Oasis Healthcare PLC recorded a loss of £2.8 million on a turnover of £75 million but it is not known what proportion of this loss (or what proportion of its £10 million market capitalisation) relates to the dental business.

Although it is difficult to provide hard evidence of the reasons why DBCs have underperformed, it is suspected that with sizeable finance available and in a rush to reach critical mass quickly, mistakes in acquisitions occurred during the acquisition years of 1993 - 2003 (after which acquisition rates slowed considerably). It is speculated in this business plan that the practices acquired were often:

1. Large practices (with probably at least 3 or more dentists) and / or strings of 2-4 practices owned by existing partnerships comprising a low number of dentists;
2. Usually High Street / high profile locations with high overhead costs and;
3. Already successful, profitable business models enjoying high revenue streams from predominantly private patients;
4. Not necessarily owned by practitioners reared on the NHS due for retirement;

Therefore, with these targeted acquisitions not necessarily underperforming, there was always going to be limited upside as regards large improvements in gross revenue levels. Consequently goodwill may have been valued at the high end of the scale, making swift returns on investment more difficult to achieve.

Undoubtedly these issues would probably have been further compounded by incentives to sell up good existing businesses, as dentists were offered ongoing contracts on a self-employed basis at commission levels often way in excess of the market rate (typically over 50% of the patient fees compared to the UK average of 40-45%), thus allowing them to actually generate more money on a self-employed basis through a large corporate than as a partner of their own dental practice.

They were probably further swayed by the fact that the DBCs were usually unwilling to tie up cash raised through equity markets in property and therefore only bought the goodwill, leaving the dentist selling up with a further generous deal as owner of a commercial property with a secured 25-year lease and no maintenance charges for the upkeep of the premises.

Ultimately, knowing that they were dealing with cash-rich corporates armed with new investor money funded from the high growth section of equity capital markets (i.e. AIM), dentists were able to hold out for the best deals from executives under pressure from shareholders (not to mention the motivation of stock options) to grow the business as quickly as possible.

The results have generally been that deals offered to successful dentists over the last 10 years have often been so generous that the subsequent business model for large corporates has been unsustainable due to the large overheads and locked-in contracts.

As such, the pace of acquisitions has now slowed considerably. Overpayment in the early stages for goodwill and consequent high pressure to eek out returns from essentially 'bad' acquisitions with

¹⁴ http://www.oasisdentalcare.co.uk/images/misc/oasisAR_05.pdf



long pay-back periods will now inevitably lead to further adjustments in business models for the DBCs. Cutting costs (not just by squeezing suppliers, but aimed more at reducing salaries) will probably be the next step, resulting in lower levels of customer service and deterioration in patient to dentist trust - the keystone on which the dentistry business is built and conserved.

2.3 THE JMDP BUSINESS MODEL

Since 1992 most Dentists in the South West have started to become private or Denplan and are less reliant on the NHS to the extent that there are very few practices in the area that still take on NHS adult patients. The population in the South West and South East corner of Wales now accept that Dentistry is paid for privately and the level of fees are very much in line with other professionals.

The James Main Dental Partnership will be focusing on predominantly private adult patients whilst keeping children registered on a private capitation scheme. The practice will not be accepting any new adult NHS patients. The target patient base is the private patient with a reasonable level of disposable income that is concerned with the long term care of their mouth. Generally this tends to be adults between the ages of 40 - 85.

Patient Communication

James Main has a proven track record of building trust and confidence in patients. New dental practitioners to the Partnership will undergo training in Patient Communication and Patient Motivation.

Pricing Structure

The hourly rate and items of service of the Partnership will be priced very much in line with the amount charged by other practices in the areas, but with the aim to be slightly higher in order to reflect the higher quality of care and treatment.

Generally in Dentistry it is uncommon for patients to shop-around for a cheaper dentist, as trust of the dentist is placed higher than the price of the treatment, unless of course there is a reason for a breakdown in trust.

Sales Literature

Enclosed in Appendix II is the current Practice Brochure for The James Main Dental Partnership. All the other practices will be operating with the same corporate logo and the same sales literature, obviously adapted to their particular location. When taking over a practice, 'Welcome Letters' will be issued in order to inform the patients of the change of Practitioners. The retiring practitioner will endorse these letters. One of the other features is that a regular newsletter will be sent out every four months with the patient reminder letters.

2.3.1 ACQUISITIONS STRATEGY & CAPEX

Mr Main is currently in the process of identifying suitable practices for acquisition. He has written to various locally-based practices enquiring as to their ownership status and availability for purchase, and has received a number of replies which he will be following up over the coming months.

As a result, he has recently identified over 10 potential acquisitions that could be made in the region and is currently purchasing a second practice located in Highcliffe, Bournemouth.

Clearly the aim is to secure goodwill for underperforming practices at 'knock-down' prices. An example of this is his Glastonbury practice for which the goodwill sale price was £43,500 in 2002 on an annual turnover of under £120,000 (around 0.37X Sales). As a rule of thumb, the goodwill of independent dental practices is generally valued in the current market at somewhere between 35% and 50% of the annual turnover (or 0.35X - 0.5X Sales).



Most often there will be considerable scope for improvement for practices that meet the criteria and the aim would be to increase revenues by at least 80-90% and profitability by at least 30-40% in the first year of managing the practice under The James Main Dental Partnership ethos and corporate structure. Practices will be sourced that meet the following criteria:

1. Predominantly private independent practice with perhaps one ongoing dentist but with the ability to expand in order to house two or more dentists;
2. Owners of the practice are retiring from Dentistry;
3. Clear room for revenue and profitability improvement;
4. Based in the South West of England;
5. Freehold property.

For the reasons explained above, it is difficult to put an exact cost on the price of acquisitions and therefore the approximate capital required to purchase each practice has been estimated as follows:

Goodwill & existing fixtures, fittings and equipment	£200,000
Refurbishment & new equipment (non lease-able)*	£35,000
Start-up costs, including bridging finance, recruitment & training	£15,000
	<u>£250,000</u>
TOTAL CAPEX	£250,000
New equipment secured through asset-financing†	£25,000

*Not all specialist dentistry equipment is thought to be lease-able. However, a further £25,000 (†) worth of equipment (to cover items such as dentist chairs, surgery lights, IT hardware, etc. which is thought to be lease-able over 5 years) would be secured through equipment-financing companies. Therefore, the total investment in each practice would be nearer an indicative figure of £275,000 (£250,000 of this to be funded through shareholder and loans, and £25,000 through lease financing).

For ease of constructing the overall model, the capital expenditure forecasts indicated in Figure 2.1 assume that the outflow of finance for practice purchases and refurbishment occurs in the same month as the practices to be revenue-generating. In reality, a two-month lead time is likely to be required in order to complete the purchase transaction and to carry out the refurbishment. It is assumed that the banks would be willing to provide bridging finance and deposits or guarantees for these purposes. The cost of bridging finance is accounted for in the start-up costs.

During this two-month lead time, a Dentist would be recruited to work in the practice initially for two years as an Associate with the view to becoming a Junior Partner after this period, and auxiliary staff will be also be recruited and trained and management procedures implemented.

GROUP CAPEX														GROUP SUMMARY CAPITAL EXPENDITURE														The James Main Dental Partnership																				
														1	2	3	4	5	6	7	8	9	10	11	12	TOTAL																						
														APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR																							
														£	£	£	£	£	£	£	£	£	£	£	£	£																						
														Practice 1				Practice 2				Practice 3				Practice 4																						
YEAR 1 CAPEX	250,000				-				250,000				-				250,000				-				250,000				-				-				-				-				1,000,000			
														Practice 5				Practice 6				Practice 7				Practice 8																						
YEAR 2 CAPEX	250,000				-				250,000				-				250,000				-				250,000				-				-				-				-				1,000,000			
														Practice 9				Practice 10				Practice 11				Practice 12																						
YEAR 3 CAPEX	250,000				-				250,000				-				250,000				-				250,000				-				-				-				-				1,000,000			
TOTAL	750,000				-				750,000				-				750,000				-				750,000				-				-				-				-				3,000,000			



2.4 SALES FORECASTS

The turnover forecasts reflect a rise in both fees and productivity levels, and are increased by a simple calculation of 5% year-on-year. Overhead cost inflation is estimated in the plan at 3.5%, hence the projected increase is actually only 1.5% over and above general rates of inflation.

The forecast 5% fee annual increase is thought to be an extremely prudent assumption in terms of forecasting turnover. In reality, fee increases and productivity levels would be expected to be substantially higher and more in line with the 10% forecast annual growth rates for the industry.

Figure 2.2 indicates turnover forecasts by individual practices for Years 1 - 3 during the acquisition and integration process, and then on a group level for Years 2-7:

Figure 2.2 Sales forecasts summary													
GROUP SALES FORECASTS													The James Main Dental Partnership
YEAR 1	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
Year 1 Ending 31st March 2007	£	£	£	£	£	£	£	£	£	£	£	£	£
GROUP TURNOVER													
G'bury & H'cliffe	35,603	37,603	39,602	41,603	43,102	44,103	44,103	44,103	44,103	44,103	44,103	44,103	506,234
Practice 1	33,909	35,604	37,300	38,995	40,691	42,386	42,386	42,386	42,386	42,386	42,386	42,386	483,200
Practice 2			33,909	35,604	37,300	38,995	40,691	42,386	42,386	42,386	42,386	42,386	398,428
Practice 3	-	-	-	-	-	33,909	35,604	37,300	38,995	40,691	42,386	42,386	271,270
Practice 4	-	-	-	-	-	-	-	33,909	35,604	37,300	38,995	40,691	186,498
Practice 5	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 6	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 7	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 8	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 9	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 10	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 11	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 12	-	-	-	-	-	-	-	-	-	-	-	-	-
Total turnover	69,512	73,207	110,811	116,202	121,093	159,393	162,784	200,083	203,474	206,865	210,256	211,951	1,845,631
YEAR 2													
GROUP TURNOVER													
G'bury & H'cliffe	46,308	46,308	46,308	46,308	46,308	46,308	46,308	46,308	46,308	46,308	46,308	46,308	555,697
Practice 1	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	534,064
Practice 2	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	534,064
Practice 3	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	534,064
Practice 4	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	44,505	534,064
Practice 5	35,604	37,384	39,165	40,945	42,725	44,505	44,505	44,505	44,505	44,505	44,505	44,505	507,360
Practice 6	-	-	35,604	37,384	39,165	40,945	42,725	44,505	44,505	44,505	44,505	44,505	418,350
Practice 7	-	-	-	-	-	35,604	37,384	39,165	40,945	42,725	44,505	44,505	284,834
Practice 8	-	-	-	-	-	-	-	35,604	37,384	39,165	40,945	42,725	195,823
Practice 9	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 10	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 11	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice 12	-	-	-	-	-	-	-	-	-	-	-	-	-
Total turnover	259,934	261,714	299,098	302,659	306,219	345,384	348,944	388,109	391,669	395,230	398,790	400,570	4,098,319
YEAR 3													
GROUP TURNOVER													
G'bury & H'cliffe	48,623	48,623	48,623	48,623	48,623	48,623	48,623	48,623	48,623	48,623	48,623	48,623	583,482
Practice 1	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	560,767
Practice 2	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	560,767
Practice 3	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	560,767
Practice 4	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	560,767
Practice 5	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	560,767
Practice 6	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	560,767
Practice 7	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	560,767
Practice 8	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	46,731	560,767
Practice 9	37,384	39,254	41,123	42,992	44,861	46,731	46,731	46,731	46,731	46,731	46,731	46,731	532,728
Practice 10	-	-	37,384	39,254	41,123	42,992	44,861	46,731	46,731	46,731	46,731	46,731	439,267
Practice 11	-	-	-	-	-	37,384	39,254	41,123	42,992	44,861	46,731	46,731	299,076
Practice 12	-	-	-	-	-	-	-	37,384	39,254	41,123	42,992	44,861	205,614
Total turnover	459,852	461,722	500,975	504,714	508,452	549,575	553,314	594,436	598,175	601,913	605,652	607,521	6,546,302
YEAR 4 TURNOVER	639,860	639,860	639,860	639,860	639,860	639,860	639,860	639,860	639,860	639,860	639,860	639,860	7,678,317
YEAR 5 TURNOVER	671,853	671,853	671,853	671,853	671,853	671,853	671,853	671,853	671,853	671,853	671,853	671,853	8,062,233
YEAR 6 TURNOVER	705,445	705,445	705,445	705,445	705,445	705,445	705,445	705,445	705,445	705,445	705,445	705,445	8,465,345
YEAR 7 TURNOVER	740,718	740,718	740,718	740,718	740,718	740,718	740,718	740,718	740,718	740,718	740,718	740,718	8,888,612



2.5 MARKETING STRATEGY

Each practice would have a small budget each year (£2,250 beginning in Year 1), in order to carry out localised promotional activities with some degree of autonomy. Activities will include:

1. Placement of advertisements and newspaper fillers in the local press;
2. Sponsorship of local-based events where there is thought to be a captive audience to which dental services can be marketed;
3. Direct mail to residents in the surrounding catchment area.

At group level there is a further budget of £10,000 in Year 1, rising by £5,000 a year from Year 2 onwards which will allow generalised promotional activities for the group as a whole. These will include:

4. Time-limited special offers on cosmetic treatments;
5. A corporate website and web-based advertising;
6. Continual PR: press write-ups; personal interviews; testimonials, etc.

2.6 COMPETITIVE COMPARISON & KEY DIFFERENTIALS

As has been mentioned above, most dentistry in the South West is delivered by privately owned individual dental practices.

It is thought that many of the practices have only one or two incumbent dentists and have traditionally targeted a defined catchment area. The majority of them will have been reared on the NHS system and will not have invested in new technology or practising the most up-to-date techniques.

It is believed that the majority are good dentists but not such good business managers and therefore a lot could be done to improve revenues and profitability.

It is therefore this sector that forms the basis of the target market for acquisitions by The James Main Dental Partnership. The main competitive comparisons are thought to be as follows:

1. Alternative acquisitions strategy & screening criteria

The main competitive advantage of The James Main Dental Partnership business model is that it will acquire a number of smaller, independent practices in the South West Region which are believed to have fallen underneath the screening radar of the DBCs due to the fact that they did not meet the acquisition criteria. Reasons for this include:

1. Small practices, often with only one incumbent dentist;
2. Not prime / high street locations;

It is believed there is still a sufficient amount of stock of independent practices in the South West which are both small and underperforming, and also with the potential for the practice to be expanded.

2. Higher levels of customer service

The pace of acquisitions by the DBCs has now slowed considerably and cutting costs (not just by squeezing suppliers, but aimed more at reducing salaries) will probably be next step, resulting in lower



levels of customer service and deterioration in patient to dentist trust - the keystone on which the dentistry business is built and conserved.

Already they are doing this, with one of the measures being the active recruitment policy of dentists from European countries such as Poland, Spain, Estonia, Latvia, Lithuania, Hungary, Germany, Portugal and Greece and the Czech Republic¹⁵.

For a service industry such as Dentistry, where the patient-dentist trust relationship is so vitally important to sustaining the business, high levels of good communication are paramount. It is therefore suspected that treatment of patients by foreign nationals¹⁶ where communication and language issues may be a weakness could have an adverse effect on future revenues.

As an example, Integrated Dental Holdings, in their recruitment drive for European dentists to relocate to the UK, fully acknowledges issues with language on its website. An example is given below:

'For me IDH has been a fabulous opportunity to start working full time as a dentist as I only finished my studies last summer. From my point of view IDH has been always close to me when I have needed any help, economic or personal. Everybody has been very kind and patient with me even at first when my English wasn't the best, so to be honest I cannot find any disadvantages.' Ana Anglada Peña - Spain

The James Main Dental Partnership will actively recruit and train the best dentists and auxiliary staff, usually from the local area where possible, so as to offer the highest levels of patient-dentist communication and trust possible.

3. Guaranteed, High-Quality Dental Work

A four year guarantee is offered by The James Main Dental Partnership on all dental work carried out by the partnership (damage due to wanton carelessness by patients is not covered).

This is highly-valued selling point that few competitors currently offer, and is one that will further increase perceptions of high quality service and highlight the patient-dentist bond of trust.

4. Recruitment and equity share prospects

None of the Dental Bodies Corporates offers equity participation to dentists as a way of motivating their staff to maintain the highest standards of quality and levels of productivity. This is something that has never formed part of their business model and is unlikely to change.

At best, some dentists selling out have been offered stock options as incentives for selling their practices, but with hindsight this has generally been a worthless incentive. Oasis Dental Care previously offered price-triggered options packages, but these were generally priced substantially out-of-the-money and therefore the majority have, or are due to, expire.

The James Dental Partnership is thought to be unique in its intention to recruit the best young dentists to the South West by allowing recent graduates unwilling or unable to take on further large loans after graduating to buy into a profit-sharing partnership within two years of joining. It is expected that this will have considerable success in motivating higher levels of productivity and customer service.

Established independent dentists with their own practices are also likely to want to exchange these for equity in order to join the partnership and benefit from a strong referral system and a fuller provision of dentistry services as well as the clear advantage of profit-share, thus providing a convenient exit route for early-stage investors.

¹⁵ <http://www.integrateddental.co.uk/article.asp?id=51>

¹⁶ <http://www.integrateddental.co.uk/article.asp?id=40>



SECTION THREE

OPERATIONAL DETAILS

3.1 THE SERVICE

The James Main Dental Partnership will be offering a full range of dental services and in time, every speciality will be covered by the Partnership. The emphasis of the services provided would be based on the Practice Mission Statement, which is to provide our patients with a comfortable mouth and a confident smile in a caring environment with a high quality, cost effective Dentistry.

The Practices will be high tech but with a friendly, West Country atmosphere and there will be a particular focus on offering all forms of cosmetic Dentistry.

The Partnership intends to use the latest in dental technology for both clinical and administrative purposes. Such as:

1. The Practice Works systems as used by the majority of dental practices in the country;
2. Digital radiography;
3. Dicom imaging system in order to motivate patients towards cosmetic treatment;
4. Use of Cerec 3 System for porcelain inlays and crowns;
5. Other dental technologies depending on the practices specialities;
6. Intranet that will allow close day-to-day management from the Glastonbury site.

3.2 OPERATIONAL CONSIDERATIONS & INTEGRATION OF PRACTICES

The practices will be run as individual practices on a day-to-day basis with the strategy decided by the lead practice in Glastonbury. Referrals will be made as much as possible within the group.

All the future practices will be re-furnished to a high standard and computerised internally with an Intranet connection. This will allow strong management controls, particularly in terms of pricing and collection of fees, as well as an effective referrals and bookings system for specialist treatments.

The ordering of consumables will be done on an individual practice basis using the current ordering system and will be with the preferred supplier Minerva Dental, which is currently offering a 17.5% discount. With a greater level of ordering, this level of discount would be expected to be negotiated still further. The consumables within each practice should not exceed 5% of the gross per month.

The dentists would be given initial and continued training within the group on how best to motivate patients towards high quality dentistry and they will be recruited not only for their professional skills but also for their communication skills.

Clinical freedom will be given to the dentists but the managerial systems will be the same for all of the practices and that will be dictated by the lead practice in Glastonbury. All capital expenditure will have to be approved by the senior management with a cost/benefit analysis by the requesting practice or dentist along with at least 3 quotations for the capital item.



All daily takings and the daily appointment sheets will be electronically sent to the Glastonbury practice on a daily basis to monitor growth and trends at the other practices.

By linking all the practices within a network the management team can monitor very closely the performance of each practice and deal with any potential problems quickly. This means that whilst each practice will run independently, the group will have the advantage to monitor them all and give direction where required. This technology has only really been possible in the last few years.

The BDA is also currently offering its business consultancy services at a substantially reduced rate to The James Main Dental Partnership in order to offer the best professional advice and assistance in achieving a swift and smooth integration of the newly-acquired practices.

3.3 BDA ASSISTANCE WITH PRACTICE INTEGRATION

Faye Brook is a Senior Business Adviser with the Professional Services Directorate of the BDA, and has been heavily involved in advising dentists on all aspects of NHS reform since she joined the BDA in 2003 from Accenture. She has shown particular interest in the development of The James Main Dental Partnership to date, and is keen to help with the growth of the project particularly with regard to the process of integrating the practices.

A summary of her proposals can be found in Appendix III, but in essence her team will focus primarily on the delivery of 1:1 advice and support that will enable clients to manage their dental businesses effectively. The areas that she and her team excel in include:

- Practice development and expansion
- All aspects of business management, incorporating Business Strategy, Managing People, Finance and Taxation, Payment Systems, Marketing, Information and Communication Technology, Quality and Best Practice, and Management Development

3.4 FUTURE DEVELOPMENT AND TECHNOLOGY

With the establishment of a partnership of multiple practices and dentists, the following services would be developed:

1. Specialist services in all areas of Dentistry;
2. In-house capitation scheme;
3. In-house dental laboratory;
4. Use of Professionals Complimentary to Dentistry (PCDs), Dental Hygienists and Therapists.

The above services would not only improve the service-offering to the customer but would also significantly increase profitability levels, especially in terms of laboratory costs as dentistry techniques capitalise on ever-advancing technology.

3.5 TIMETABLE

The relaxation of restrictions preventing dentists from operating their practices as limited companies or limited liability partnerships is now expected to occur before April 2006 according to recent statements from the British Dental Association¹⁷. Any investment cannot be formalised until limited company status is obtained, at which point Mr Main will transfer his Glastonbury (and second) practices with all relevant assets into the new company and shares can be issued.

¹⁷ <http://www.bda-dentistry.org.uk/advice/news.cfm?ContentID=1503>

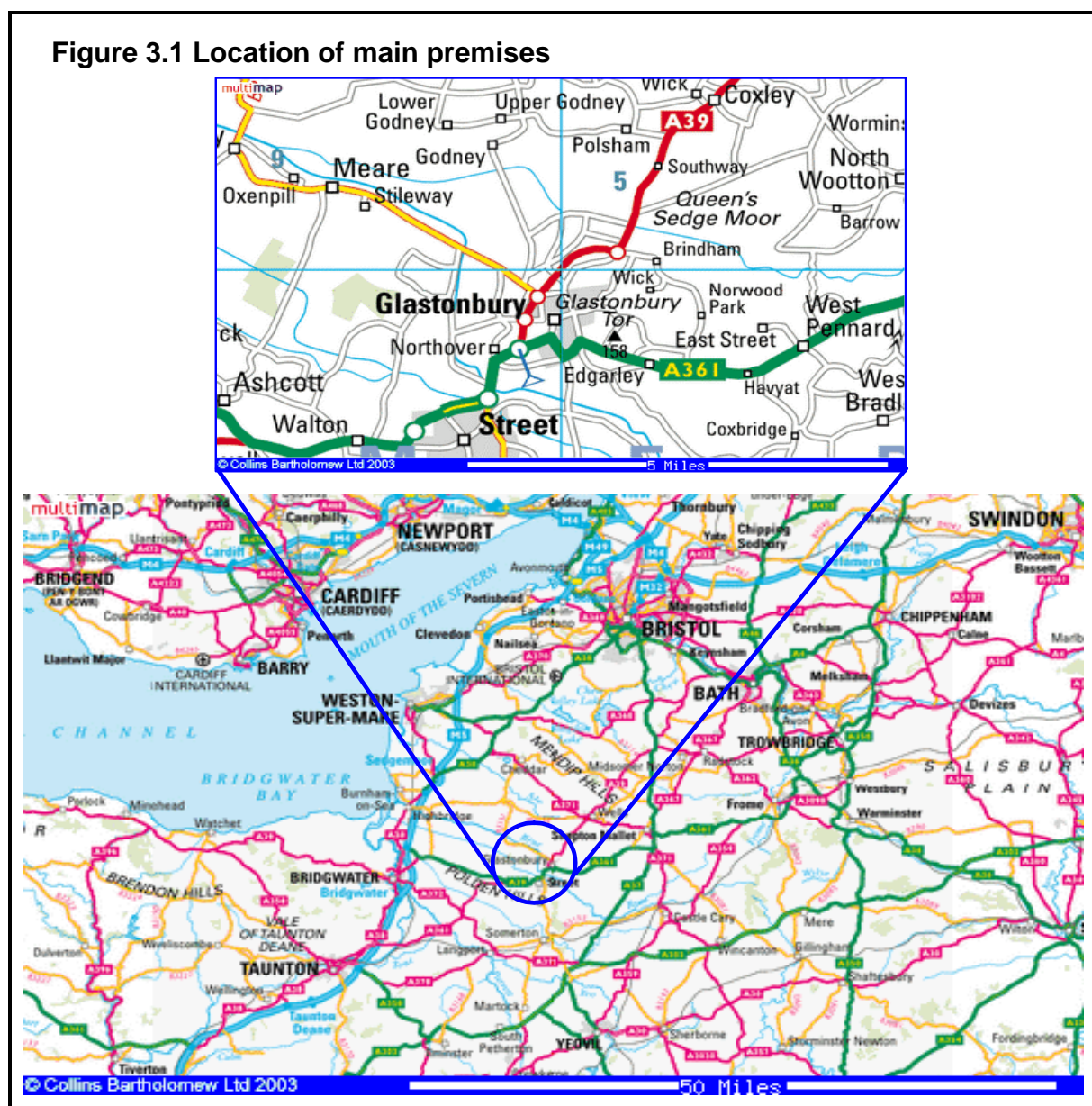


However, preparation for the commencement of the project can start as soon as a commitment to provide funding is accepted. Suitable practices for acquisition (up to a maximum of the four targeted for acquisition in Year 1) can be identified and all necessary negotiations can take place before April 2006. In the event that a speedier acquisition rollout can be achieved, it is expected that bridging finance can be provided by the banks although letters of intent to invest or monies placed 'in escrow' may be required to secure this.

3.6 COMPANY LOCATION AND FACILITIES

The headquarters of The James Main Dental Partnership will be located in the existing practice at 3 Lambrook Street, Glastonbury (see Figure 3.1). The practice in Glastonbury will also be the main provider for implants and related treatment, at least in the early stages of the company's development. Other practices will have various facilities for specialist type work depending upon the availability of practitioners.

Figure 3.1 Location of main premises





SECTION FOUR

PERSONNEL

4.1 MANAGEMENT TEAM

The two directors will be James Main and his wife Jo Main (see Appendix I for curricula vitae). Neither Mr Main nor his wife will draw a director's salary but will instead earn from the business as the Senior Dental Partner / Managing Director, and as the Group Human Resources Manager respectively.

The Management Team would be based in Glastonbury and its main role would be to set out the objectives and strategic development for each practice, and to monitor that their progress.

Each of the practices would be left as much as possible to develop how they achieve the set objectives within their development plan but would be given assistance and guidance where required.

An Operations Manager of suitable calibre needs to be recruited in order to assist with the identification of suitable practices for acquisition and their posterior integration within the group.

Assistance with the integration process will come from the Human Resources Manager, Jo Main, until the Practice Managers (three in total, one per every four practices) begin to be recruited in Year 2.

4.2 ROLE PROFILES

James Main is the Senior Dental Partner / Managing Director whose main responsibilities will include:

- Strategy & troubleshooting
- Practice acquisitions
- Recruitment of new dentists
- Clinical training, especially in patient communication
- Financial control

Jo Main, as Human Resources Manager, will be responsible for personnel and policy implementation. Her main responsibilities will be:

- The recruitment, management and dismissal of auxiliary staff
- The operational management of all the human resources
- Practice monitoring

The main responsibilities of the Operations Manager that needs to be recruited include:

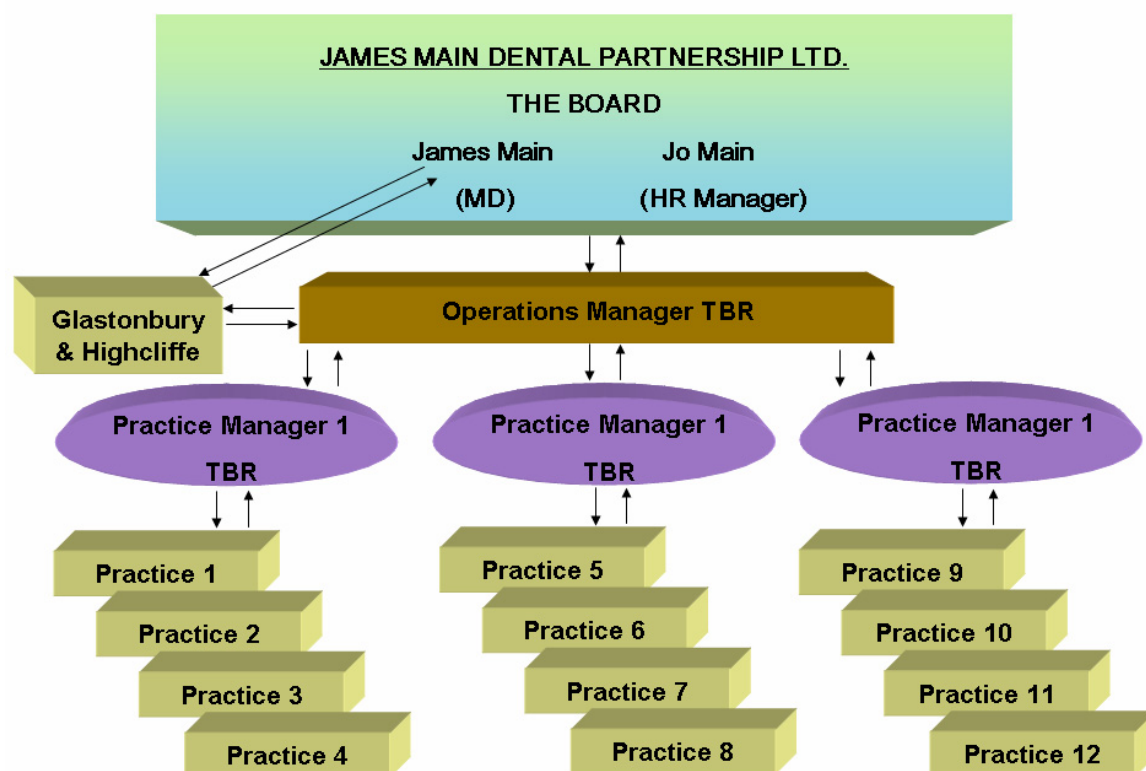
- The implementation of the policies within each practice
- The daily operational & financial management of the group
- Operational and financial monitoring of the practices

As the number of practices within the group increases, starting in Year 2, Area Practice Managers will need to be recruited. Under the overall supervision of the Operations Manager, the Practice Managers will be assist and monitor the development of four or more practices in their area, and their roles will include book-keeping and administration tasks. As dentists become partners and the group expands more of the new partners would be involved in the strategic planning and clinical planning of the expanded group.



4.3 ORGANISATIONAL STRUCTURE

The organisational chart below indicates a proposed management structure for Years 1-3:



4.4 COST OF SALES & NON-PRODUCTIVE SALARY COSTS

Each practice, depending on its size, will have a minimum of two dentists; one part time hygienist; two full time dental nurses and one trainee nurse; and one receptionist / secretary.

The dentists and hygienists will be paid market rate commissions for the patient fees directly generated by them, around 43% for dentists and just under 30% for Hygienists. As self-employed contractors, they would be responsible for the payment of their own National Insurance contributions and PAYE.

For non-productive auxiliary staff, in Year 1 the dental nurses will earn between £7.00 and £9.00 per hour, depending on their experience, and the trainee nurse will earn £5.75 per hour. The receptionist (with secretarial duties) will earn £7.03 per hour. The annual total salaries bill per practice is forecast as £59,862 starting in Year 1, with increases in subsequent years in line with inflation (assumed at 3.5% in the business plan). This figure does not include employer contributions and other benefits.

At group level, the Operations Manager and Human Resources Manager will earn £35,000 and £20,000 per year respectively. Practice Managers will earn £17,500 when they begin to be recruited in Year 2.

At group level, total headcount is forecast to reach 94 in Year 3 and non-productive salary costs in Year 1 amount to 17.3% of turnover (dropping to 15.8% by Year 3), better than the latest NASDA survey which indicates across a UK average salary cost of 18.8% of fee income for non-productive support cost¹⁸.

¹⁸ Source: <http://www.hazlewoods.co.uk/Dentists/PDF/HWDS%20Dental%20Focus%2008-05.pdf>



SECTION FIVE

FINANCE

5.1 FINANCIAL REQUIREMENTS

The finance is required to fund the vast portion of the purchase price and refurbishment cost of the practices. Given the cash-generative nature of dentistry, no finance is needed for working capital.

For ease of construction of the financial model, the capital expenditure forecasts assume that the outflow of finance for practice purchases and refurbishment occurs in the same month as the practices to be revenue-generating. In reality, a two-month lead time is likely to be required in order to complete the purchase transaction and to carry out the refurbishment. It is assumed that the banks would be willing to provide bridging finance and deposits or guarantees for these purposes. The cost of bridging finance is accounted for in the start-up costs.

Early stage conversations with The Royal Bank of Scotland indicate that they would be willing to lend £100,000 in each of the Years 1, 2 and 3 as a minimum against the external investment levels indicated in this business plan. The peak funding requirement occurs on start-up and the annual financial requirements from external investors are indicated as:

Year 1 -	£800,000
Year 2 -	£600,000
Year 3 -	<u>£200,000</u>
Total	£1,600,000

5.2 PROPOSED INVESTMENT STRUCTURE AND EQUITY OFFERING

In return for £400,000 of equity investment and £400,000 of debt, 25% of the company equity is on offer in Year 1. In order to maximise opportunities for EIS investment, ideally two investors would best suit the venture (a single investor may not own over 30% of a company's shares without jeopardising his / her EIS qualification), and technically the subscription for shares and the loans would be considered 'separate' investments, again so as not to prejudice EIS qualification. Figure 5.1 indicates a proposed investment structure as previously outlined in the executive summary.

Figure 5.1 - Proposed Investment Structure

	YEAR 1 2006 / 07		YEAR 2 2006 / 07		YEAR 3 2006 / 07	
SHARE SUBSCRIPTIONS	£	Holding	£	Holding	£	Holding
Investor 1	200,000	12.50%	200,000	16.67%	-	16.67%
Investor 2	200,000	12.50%	200,000	16.67%	-	16.67%
J R Main	-	75.00%	-	66.67%	-	66.67%
	£400,000	100.00%	£400,000	100.00%	£0	100.00%
LOAN STOCK @ 15% COMPOUND INTEREST (Redeemable after 3 years from drawdown)						
Investor 1	200,000		100,000		100,000	
Investor 2	200,000		100,000		100,000	
	£400,000		£200,000		£200,000	
Total finance from investors	£800,000		£600,000		£200,000	



5.3 PROFIT & LOSS FORECAST SUMMARY AND MAJOR ASSUMPTIONS

Figure 5.2 Forecast summary profit & loss

PROFIT & LOSS FORECASTS		THE JAMES MAIN DENTAL PARTNERSHIP LTD.						
GROUP SUMMARY YEARS 1 - 7	NOTE	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
		1	2	3	4	5	6	7
		£	£	£	£	£	£	£
GROUP TURNOVER								
G'bury & H'cliffe Practices	1	506,234	555,697	583,482	612,656	643,289	675,453	709,226
Practice 1	1	483,200	534,064	560,767	588,805	618,245	649,158	681,616
Practice 2	1	398,428	534,064	560,767	588,805	618,245	649,158	681,616
Practice 3	1	271,270	534,064	560,767	588,805	618,245	649,158	681,616
Practice 4	1	186,498	534,064	560,767	588,805	618,245	649,158	681,616
Practice 5	1	-	507,360	560,767	588,805	618,245	649,158	681,616
Practice 6	1	-	418,350	560,767	588,805	618,245	649,158	681,616
Practice 7	1	-	284,834	560,767	588,805	618,245	649,158	681,616
Practice 8	1	-	195,823	560,767	588,805	618,245	649,158	681,616
Practice 9	1	-	-	532,728	588,805	618,245	649,158	681,616
Practice 10	1	-	-	439,267	588,805	618,245	649,158	681,616
Practice 11	1	-	-	299,076	588,805	618,245	649,158	681,616
Practice 12	1	-	-	205,614	588,805	618,245	649,158	681,616
Total turnover		1,845,631	4,098,319	6,546,302	7,678,317	8,062,233	8,465,345	8,888,612
GROUP OVERHEADS								
Group cost of sales	2	1,157,761	2,488,963	3,913,127	4,523,664	4,666,617	4,890,513	5,125,273
Total cost of sales		1,157,761	2,488,963	3,913,127	4,523,664	4,666,617	4,890,513	5,125,273
GROSS PROFIT		687,870	1,609,356	2,633,175	3,154,653	3,395,616	3,574,832	3,763,340
Gross Profit Margin		37.3%	39.3%	40.2%	41.1%	42.1%	42.2%	42.3%
GROUP OVERHEADS								
Practice salaries	3	227,975	483,784	757,221	861,156	891,297	922,492	954,779
Practice NI & PAYE		18,966	40,048	62,583	71,153	73,643	76,221	78,889
Practice pensions	4	5,699	12,095	18,931	21,529	22,282	23,062	23,869
Practice overheads	5	230,116	454,973	695,449	787,803	815,664	844,515	874,390
Practice depreciation	6	52,517	81,089	109,660	117,993	117,993	117,993	117,993
Group Operations Manager		35,000	36,225	37,493	38,805	40,163	41,569	43,024
Group HR manager		20,000	20,700	21,425	22,174	22,950	23,754	24,585
Group Practice Managers		-	35,000	108,675	112,479	116,415	120,490	124,707
Group NI & PAYE		7,256	11,886	21,360	22,108	22,882	23,683	24,511
Audit & accountancy		5,000	6,000	7,000	8,000	9,000	10,000	11,000
Legal & professional		5,000	8,000	9,000	5,000	5,175	5,356	5,544
Marketing & advertising		10,000	15,000	20,000	25,000	30,000	35,000	40,000
Total overheads		617,529	1,204,800	1,868,797	2,093,201	2,167,466	2,244,135	2,323,293
Non-productive salary costs as % turnover		17.1%	15.6%	15.7%	15.0%	14.8%	14.5%	14.3%
OPERATING PROFIT		70,340	404,556	764,378	1,061,452	1,228,150	1,330,697	1,440,047
Operating Profit Margin		3.8%	9.9%	11.7%	13.8%	15.2%	15.7%	16.2%
FINANCE CHARGES								
Loan stock		-	-	-	227,268	113,634	113,634	-
Bank lending	7	24,000	31,800	39,600	39,600	39,600	39,600	39,600
Cost of capital raised	8	45,000	30,000	10,000	-	-	-	-
Equipment leasing (inc. IT)	9	17,000	41,000	65,000	72,000	72,000	72,000	72,000
Bank charges	10	5,800	10,971	16,497	18,626	19,278	19,953	20,651
Interest paid/(rcvd) on cash bala	11	(3,022)	(6,094)	(5,559)	(11,199)	(19,821)	(33,411)	(51,183)
Total interest charges		88,778	107,677	125,538	346,296	224,691	211,776	81,069
Net profit before tax		(18,438)	296,880	638,840	715,156	1,003,458	1,118,921	1,358,978
Corporation tax	12	5,719	82,535	203,884	231,607	326,025	363,839	442,458
Net cash flow		(24,157)	214,345	434,956	483,550	677,433	755,081	916,520
Dividends		-	-	-	-	-	-	-
Retained profit		(24,157)	214,345	434,956	483,550	677,433	755,081	916,520
Net profit margin after tax		(1.3%)	5.2%	6.6%	6.3%	8.4%	8.9%	10.3%



5.3.1 MAJOR ASSUMPTIONS

1. Turnover

Turnover in Year 1 is based on the assumption that there will be 2 dentists working full time in each new practice, both generating just over £17,000 each per month in patient fees. This is based on a dental associate working a total of 232 days a year, 7 hours a day at an hourly rate of £160 per hour.

1 hygienist will also work four days a week in each practice and is expected to generate £7,800 per month in patient fees. This is based on the hygienist working a total of 176 days a year, 7 hours a day at a rate of £95 per hour.

On an annual basis the total income per practice is projected to reach £508,000 in Year 1, and is calculated to rise by 5% in each of the subsequent Years 2 to 7. In fact, given that the UK dentistry industry is set to grow at levels of around 10% annually, a 5% increase is considered conservative in terms of this business plan. Furthermore, the forecast turnover already incorporates a 20% comfort discount on expected turnover levels in order to cover missed appointments and any unforeseen events prejudicial to normal business.

As each practice is acquired, for prudence it is assumed that turnover levels may take up to six months to reach the forecast levels of £508,000 per annum. Therefore the plan assumes that the acquired practice will operate at 80% efficiency in month 1, with efficiency rising steadily over the subsequent months until month 6 when monthly turnover per practice is projected to reach £50,524 in Year 1.

2. Cost of Sales - Materials, Dentist and Hygienist Commissions and Laboratory Fees

The cost of sales assumes in Year 1 that materials charges account for 9% of all patient fees. This drops by 0.5% year-on-year due to group purchasing power until Year 5 when it steadies at 7.0%. The total materials cost is borne by the practice.

Dentists will be employed on a contractual basis and will receive 50% of all income generated by them minus half the cost of the laboratory fees. Hygienists are contracted at £27.00 per hour.

Laboratory Fees are assumed at 12.5% of income generated by dentists. Half of this cost is taken from the associate dentist's 50% commission, and the cost of the other half is borne by the practice.

3. Practice Salaries & Employer NI Contributions

Salaries are forecast for a receptionist @ £7.03 / hour, a highly-qualified nurse @ £9.00 / hour, a less-qualified nurse @ £7.00 / hour, and a trainee nurse @ £9.00 / hour. Salaries are forecast to rise in line with inflation which is assumed at 3.5% in this plan. Employer NI contributions are calculated from 2005/2006 standard rates.

4. Practice Pensions

A provision is made for employer contributions of 2.5% of auxiliary staff salaries into a company pension scheme.

5. General Practice Overheads

General practice overheads rise annually in line with the plan forecast inflation rate of 3.5%. In Year 1 the overheads per practice on a monthly basis are forecast as follows:

Rent & business rates £2400; Utilities £125; Printing, postage & stationery £250; Telephone & internet £150; Professional subs & training £250; Cleaning & waste charges £275; Local practise



promotion & advertising £175; Maintenance & Repairs £250; Insurance £175; Protective clothing & laundry £35; Waiting room expenses £40; Study allowance £50; Sundries £80. There is also a staff bonus equivalent to 0.25% of turnover.

6. Depreciation

Goodwill is not depreciated in the plan. Fixtures and fittings (£35,000) and start-up costs (£15,000) are depreciated over 7 years, straight-line.

7. Bank lending

Bank lending at current commercial rates is forecast at £100,000 per year for Years 1 -3. These loans are assumed to be interest only commercial loans financed over a 25 year period.

8. Cost of capital raised

This is assumed at 5% with an additional provision of £5,000 in Year1.

9. Equipment leasing

A provision of £25,000 per new practice is forecast in the plan, leased at a rate of 6% over 5 years (which equates to £500 per month). This is for equipment such as IT hardware and dental chairs and lights. The plan assumes renewal of these assets after five years at similar rates.

10. Bank and card charges

Bank and card charges are assumed at £100 per month per practice, increasing annually in line with the plan's inflation rate of 3.5%.

A provision of £25,000 per practice is forecast in the plan, leased at a rate of 6% over 5 years (equivalent to £500 per month). This is for equipment such as IT hardware and dental chairs and lights. The plan assumes renewal of these assets after five years at similar rates.

11. Interest paid or received on cash balances

An annual interest rate of 10% is assumed to be paid on overdrafts and received on positive cash balances at a rate of 2%.

12. Corporation tax

This is calculated on net profit at 2004/05 standard tax rate bands, i.e.: 0% on the initial £10,000 of net profits, 23.75% on the next £40,000, 19% on the next £250,000, and 32.74% on the next £1.2 million. Depreciation on fixed assets is added back into net profits before calculating tax liabilities.

5.4 FORECAST SUMMARY CASH FLOWS

Given the cash generative nature of dentistry, the cash flow forecasts assume no credit and no bad debts. Payment is taken when treatment is done, and the risk of interest-free financing of long-term plans for restorative work is borne by specialist houses and capitation plan insurers.

The forecasts indicate redemption of the loan stock (£400,000 drawn down in Year 1, £200,000 in Year 2, and £200,000 in Year 3) in Years 4 to 6, with repayment of the cost of finance (assumed at 15% in the plan) along with the principal amount 36 months after drawn-down of each tranche of the agreed loan.

Figure 5.3 indicates the annual forecast cash flows over 7 years:



Figure 5.3 Forecast summary cash flows

CASH FLOW FORECASTS								THE JAMES MAIN DENTAL PARTNERSHIP LTD.							
GROUP SUMMARY		NOTE	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR		
YEARS 1 - 7			1	2	3	4	5	6	7	1	2	3	4	5	
			£	£	£	£	£	£	£	£	£	£	£	£	
RECEIPTS															
Share capital			400,000	400,000	-	-	-	-	-	-	-	-	-		
Loan stock			400,000	200,000	200,000	-	-	-	-	-	-	-	-		
Bank loan			100,000	100,000	100,000	-	-	-	-	-	-	-	-		
Cash from customers			1,845,631	4,098,319	6,546,302	7,678,317	8,062,233	8,465,345	8,888,612						
TOTAL CASH IN			2,745,631	4,798,319	6,846,302	7,678,317	8,062,233	8,465,345	8,888,612						
PAYMENTS															
Materials			153,953	336,372	509,382	576,486	565,316	590,223	619,734						
Laboratory charges			171,773	385,286	594,434	682,498	654,130	681,407	715,478						
Associate charges			579,475	1,388,029	2,270,768	2,755,528	2,922,424	3,069,442	3,221,137						
Hygienist charges			121,535	267,086	418,565	495,373	512,834	530,783	549,360						
Practice overheads			205,852	436,055	675,223	785,561	813,343	842,111	871,901						
Practice salaries			203,157	462,263	734,224	858,729	888,785	919,892	952,089						
Practice NI & PAYE			16,906	38,275	60,688	70,953	73,436	76,006	78,666						
Practice pensions			5,079	11,557	18,356	21,468	22,220	22,997	23,802						
Group Operations Manager			32,083	36,123	37,387	38,696	40,050	41,452	42,903						
Group HR manager			18,333	20,642	21,364	22,112	22,886	23,687	24,516						
Group Practice Managers			-	32,083	102,535	112,162	116,087	120,150	124,356						
Group NI & PAYE			6,651	11,500	20,571	22,046	22,817	23,616	24,442						
Audit & accountancy			4,583	5,917	6,917	7,917	8,917	9,917	10,917						
Legal & professional			4,583	7,750	8,917	5,333	5,160	5,341	5,528						
Marketing & advertising			9,167	14,583	19,583	24,583	29,583	34,583	39,583						
Loan stock redemption			-	-	-	627,268	313,634	313,634	-						
Bank lending			22,000	31,150	38,950	39,600	39,600	39,600	39,600						
Cost of capital raised			41,250	31,250	11,667	833	-	-	-						
Equipment leasing (inc. IT)			15,000	39,000	63,000	72,000	72,000	72,000	72,000						
Bank charges			5,200	10,536	16,032	18,574	19,224	19,897	20,593						
Interest paid/(rcvd) on cash balances			(2,827)	(5,753)	(5,378)	(10,808)	(18,668)	(32,202)	(49,305)						
Capex - goodwill & fixtures			900,000	900,000	900,000	-	-	-	-						
Capex - refurbishment & equipment			100,000	100,000	100,000	-	-	-	-						
Corporation tax			-	5,719	82,535	203,884	231,607	326,025	363,839						
TOTAL CASH OUT			2,613,753	4,565,422	6,705,720	7,430,796	7,355,385	7,730,561	7,751,139						
Net cash flow			131,878	232,897	140,582	247,521	706,848	734,783	1,137,473						
Opening balance			-	131,878	364,775	505,357	752,878	1,459,726	2,194,509						
Closing balance			131,878	364,775	505,357	752,878	1,459,726	2,194,509	3,331,982						

5.5 FORECAST OPENING BALANCE SHEET AND YEAR END BALANCES

Opening Position

Upon constitution of the limited company, James Main will transfer his Glastonbury and Highcliffe practices and all relevant business assets except the freehold properties into NEWCO, as is reflected in the forecast opening balance sheet:

Figure 6.4 indicates the forecast opening balance sheet and the year end balance sheets for each of the Years 1-7:



Figure 5.4 Forecast opening balance sheet and year end balance sheets

BALANCE SHEET FORECASTS									THE JAMES MAIN DENTAL PARTNERSHIP LTD.								
GROUP SUMMARY YEARS 1 - 7		NOTE	OPEN'G	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR					
			BAL'S	1	2	3	4	5	6	7							
			£	£	£	£	£	£	£	£							
FIXED ASSETS																	
Property	-	-	-	-	-	-	-	-	-	-	-	-					
Intangibles (Goodwill)	93,500	893,500	1,693,500	2,493,500	2,493,500	2,493,500	2,493,500	2,493,500	2,493,500	2,493,500	2,493,500	2,493,500					
Fixtures, fittings & refurb	218,014	312,702	387,391	442,079	350,935	259,790	168,645	77,500									
Start-up costs inc. training	7,940	60,734	104,957	140,609	113,760	86,911	60,063	33,214									
Total fixed assets	319,454	1,266,937	2,185,848	3,076,188	2,958,195	2,840,201	2,722,208	2,604,214									
CURRENT ASSETS																	
Trade debtors	-	-	-	-	-	-	-	-	-	-	-	-					
Cash at bank	-	131,878	364,775	505,357	752,878	1,459,726	2,194,509	3,331,982									
Total current assets	-	131,878	364,775	505,357	752,878	1,459,726	2,194,509	3,331,982									
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR																	
Materials & laboratory charges	-	41,389	73,624	105,410	104,870	101,325	106,391	111,711									
Associate & hygienist charges	-	89,637	169,592	257,783	272,102	287,560	301,151	315,395									
Salaries, NI & PAYE	-	32,686	59,982	92,545	95,784	99,136	102,606	106,197									
Overheads	-	25,931	45,599	66,408	68,817	71,653	74,573	77,578									
Finance charges	-	8,155	9,649	10,917	9,745	8,646	7,494	5,674									
Corporation tax	-	5,719	82,535	203,884	231,607	326,025	363,839	442,458									
Total short-term liabilities	-	203,518	440,981	736,946	782,924	894,346	956,054	1,059,013									
NET CURRENT ASSETS	-	(71,639)	(76,206)	(231,589)	(30,046)	565,380	1,238,455	2,272,969									
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR																	
Loan stock	-	400,000	600,000	800,000	400,000	200,000	-	-									
Bank loan	289,454	389,454	489,454	589,454	589,454	589,454	589,454	589,454									
Total long-term liabilities	289,454	789,454	1,089,454	1,389,454	989,454	789,454	589,454	589,454									
TOTAL NET ASSETS	30,000	405,843	1,020,188	1,455,145	1,938,695	2,616,127	3,371,209	4,287,729									
CAPITAL AND RESERVES																	
SHARE CAPITAL																	
£1.00 ordinary shares	30,000	40,000	45,000	45,000	45,000	45,000	45,000	45,000									
Share premium account	-	390,000	785,000	785,000	785,000	785,000	785,000	785,000									
Total share capital	30,000	430,000	830,000	830,000	830,000	830,000	830,000	830,000									
PROFIT AND LOSS ACCOUNT																	
Retained profit b/fwd	-	(27,519)	238,051	764,403	1,261,592	2,018,453	2,801,650	3,785,857									
Profit after tax for the month	-	3,363	(47,862)	(139,258)	(152,897)	(232,326)	(260,442)	(328,129)									
Retained profit c/fwd	-	(24,157)	190,188	625,145	1,108,695	1,786,127	2,541,209	3,457,729									
TOTAL CAPITAL AND RESERVES	30,000	405,843	1,020,188	1,455,145	1,938,695	2,616,127	3,371,209	4,287,729									

5.6 BREAKEVEN ANALYSIS

The breakeven turnover has been calculated as the turnover needed to cover the cost of sales (including contractual salaries to associate dentists and hygienists), all of the profit and loss account, and the capital and interest elements of the loan stock repayments in Years 4-6. The figures indicate that the breakeven turnover will be exceeded by over 10% from year 3 onwards.



SECTION SIX

REPORTING SYSTEMS & RISK ANALYSIS

6.1 MANAGEMENT REPORTING SYSTEMS

Currently there are reporting systems to give:

1. Financial

- Daily financial report of daily takings
- Monthly financial report of private earnings
- Monthly financial report of Denplan earnings
- Quarterly financial report of earnings and expenditure

2. Clinical and Operational

- Immediate access as to how well booked up is the appointment book
- Monthly reports on the number of new patients seen
- Monthly reports on the number of recall examinations seen
- Monthly reports on the types of treatments carried out.
- Weekly reports on stock levels of consumables and breakdown of orders

The current technology can cope with the increased number of practices but it would require a larger management structure as described above along with a secure network between practices.

6.2 SWOT ANALYSIS - STRENGTHS

The strength of The James Main Dental Partnership lies in the track record seen at the current practice in Glastonbury where a retirement practice has been taken and considerably improved on every aspect of the management, administration and financial results.

Also, the unique aspect of the Partnership is that we will be taking on Dentists with the aim of becoming junior equity sharing Partners in the business whilst holding on to the management control, to ensure that there is the best of both worlds i.e. a Corporate strategic plan that is executed with central control whilst at the same time tying in practitioners into the Partnership and allowing them to get on with their clinical work.

6.3 SWOT ANALYSIS - WEAKNESSES

The main weakness will be in finding suitable dentists and marrying them up with the practices as well as finding the appropriate practices in a relatively short space of time. A key Operations Manager of suitable calibre also needs to be recruited.

6.4 SWOT ANALYSIS - OPPORTUNITIES

A great number of practices will be up for retirement sale in the coming years that will fit the criteria.

These practices will have not reached their full potential because of the nature of many dentists who have been operating them would be slowing down as they approach retirement.



Private Dentistry is growing at a far higher rate than the general economy and furthermore, is likely to grow even further with the introduction of the new NHS dental contract in April 2006.

There is a good track record with The James Main Dental Partnership of improving the revenue and thereby the good will of the practices.

There are many Dentists who are coming out of University who are already laden with a considerable amount of debt and looking for a cost-effective avenue in which to become a participating owner of a Dental Practice, but not necessarily having the necessary administrative and managerial responsibilities.

6.5 SWOT ANALYSIS - THREATS

The main threat regarding the business would be if sufficient number of Dentists we could be recruited to run the practices acquired.

If the Dentists appointed to the practices do not assimilate the culture and ethos of The James Main Dental Partnership this may result in underperformance in revenue due to their lack of ability to deliver the level of dental care required.



APPENDIX I - CURRICULA VITAE

<h3>CURRICULUM VITAE OF JAMES R. MAIN</h3>

NAME	James Russell MAIN
ADDRESS	Hollyspring 14 Blackdown View Curry Rivel SOMERSET TA10 0ER
TELEPHONE	Home : 01458 259334 Office : 01458 831883 Mobile : 07960011879
NATIONALITY	British
AGE	43
DATE & PLACE OF BIRTH	May 21, 1962 Hong Kong
DEPENDENTS	Wife Jo-Anne Children Struan, Fergus and Theo
EDUCATION	King George V Secondary School Hong Kong 1973 – 1976 Morrison's Academy Crieff Perthshire 1976 – 1980
UNIVERSITY TRAINING	University of Edinburgh Dental Hospital and School 1980 – 1984
QUALIFICATIONS	Bachelor of Dental Surgery 1984 Member of the Faculty of 1992 General Dental Practitioners
PRESENT POST	Principal James Main Dental Partnership 3 Lambrook Sreet Glastonbury



PREVIOUS APPOINTMENTS

Royal Navy Cadetship 1982 – 1984	University of Edinburgh
House Officer July 1984 – January 1985	Westminster Hospital London
Staff Dental Surgeon June 1985 – June 1987	40 Commando Royal Marines Somerset
Staff Dental Surgeon and Resuscitation Officer October 1985 – April 1986	Field Surgical Team British Forces Belize
Dental Officer and Divisional Officer June 1987 – June 1990	HMS Cochrane Dental Department
Staff Dental Surgeon January 1989 – July 1989	Senior Naval Officer Middle East Armillar Patrol
June 1989	Promoted to Surgeon Lieutenant Commander (D)
Partner June 1990 – January 1993	Park St Dental Practice Chester
Associate January 1993 – May 1996	Showman & Clark Manchester
Part-time Honorary Clinical Tutor in Restorative Dentistry November 1990 – May 1996	University of Manchester Dental Hospital and School
Associate May 1996 – May 1999	Dr C. Benbow Grand Cayman British West Indies
Associate June 1999 – Oct 2000	Mr Farouk D. Shamash Isle of Wight
Associate October 2000 – Nov 2002	Princes Street Dental Practice Bryndene 45 Princes Street Yeovil, Somerset

PUBLICATIONS

Occupational Stress and Dentistry: Theory and Practice Part I. Recognition: British Dental Journal 1995; 178: 214 – 217

Occupational Stress and Dentistry: Theory and Practice Part II. Assessment and Control: British Dental Journal 1995; 178: 218 – 222



Motivation for Prevention: Prevention in Practice Award 1995; The Probe; May 1995

Bond Strengths of Resin Composite to Etched Porcelain: Effect of Contamination by Operating Gloves; American Journal of Dentistry 1996; 9: 40 – 42

The Practice of Dentistry: An Assessment of Reasons for Premature Retirement; British Dental Journal 1997; 182: 250 – 254

A Survey of Patient Perceptions of Dental Charges; Primary Dental Care 1999; 6(4): 151 – 155

Poem: A Moment in Time; Cayman Compass; 21 May 1999

Poem: The Relationship; First Time magazine Edition 39

PROFESSIONAL SOCIETIES AND MEMBERSHIPS

British Dental Association
Medical Protection Society
British Society of Restorative Dentistry
British Society of Medical and Dental Hypnosis
Association of Dental Implantology

CLINICAL EXPERIENCE

I have experience in all aspects of General Practice Dentistry both in a wholly private practice environment and in a predominantly NHS practice. My particular areas of interest are in Restorative Dentistry and dental implants especially the fields of Cosmetic Dentistry and in the behavioural aspect of Dentistry particularly the Dentist/Patient relationship, treatment of dental phobias and patient motivation.

MANAGEMENT EXPERIENCE

My time in the Royal Navy was split between having the total responsibility of running a single handed practice with a dental hygienist reporting to me, and being part of a larger four dentist practice where I was responsible for the welfare and assessment of nine staff members.

As a Partner I was responsible for the recruiting, management and development of seven staff members. I have managed both private and NHS practices and have experience in practice conversions.

In the Cayman Islands I operated a single handed purely private practice for a practice owner who no longer practiced. I was responsible for delivering high quality comprehensive patient care to a mainly professional expatriate patient base.

In the Isle of Wight I was working as an Associate where I had been involved in helping to formulate the private fees for the practice as well producing promotional material for the practice.

In my present position I had taken an existing Private/NHS practice and increased its profitability by over 60% within 2 years (and am on target to increasing it again by another 15% this year). I also initiated and implemented management procedures to attain the British Dental Association Good Practice award within a year.



OTHER

Qualification in Colloquial Cantonese, May 1987
(Royal Navy language examination)

Founder Chairman – Chester Independent Dental Society
1992 – 1993

British Dental Association Parliamentary Co-Ordinator for the Chester area
1991 – 1993

Member – Chester and Ellesmere Port Community Health Council
1991 – 1993

Member – Board of Trustees of Lifeshare – Charity for the homeless in Manchester
1994 – 1995

Treasurer – Cayman Islands Medical and Dental Society
1996 – 1999

Youth Worker – King's Kids Youth Club. Elmslie Church, Grand Cayman
1996 – 1999

Director – Taunton Association of the Homeless
2001 - Present

INTERESTS

Family

Food & Wine

Poetry

Golf

Sailing – RYA Yacht Master Theory completed

Swimming

Tai Chi

Sub Aqua Diving – Royal Navy Sub Aqua Diving Supervisor
BSAC Advanced Diver
Former Chairman and Founder of Norton Manor Sub Aqua Club
(40 Commando Royal Marines)
Former Chairman of HMS Cochrane Sub Aqua Club
Expedition Leader: Expedition Atlantic Diver to Ascension Island,
South Atlantic
Expedition Leader: Expedition Half Moon Key, Belize



CURRICULUM VITAE - JO-ANNE MAIN

EMPLOYMENT

1984 – 1990	British Telecom Personnel Assistant/Finance Officer Major Business Centre Administrator Commercial Officer
1990 – 1991	P&O Group Peninsula Telecoms Specialist Telecommunications Support/Administrator
1991 – 1995	Adswood Medical Centre Practice Manager for a medium sized two centre medical practice.
1995 – 1996	Turning Point Regional Office Human Resource Administrator/Regional Finance Administrator
1996 – 1997	Baraud Recruitment Cayman Islands Locum Condo Manager PA to Chairman of Surveying Firm with offices throughout the Caribbean
1997 – 2002	Career Break
2002 – Present	The James Main Dental Partnership Practice Manager

QUALIFICATIONS

Educated to GCSE level at school

BTEC National Certificate in Business and Finance

CIPD Certificate in Personnel Practice & Training

PROFESSIONAL EDUCATION

I have an interest in Employment Law and ADR in particular Mediation and have applied to attend the ACAS Mediation Certificate course in 2006. I intend upgrading my CIPD membership as soon as time allows.

- Attended various Leadership and Management Development Training Courses.
- ILEX Part II Professional Course in Law
- ACAS Discipline and Grievance Seminar
- Negotiation Skills
- ACAS Mock Employment Tribunal
- Various CIPD Employment Update Seminars and Training Courses.

MEMBERSHIPS

Associate Chartered Institute of Personnel & Development

OTHER INTERESTS

Family life takes up most of my spare time. I enjoy walking, music, cooking, theatre, reading, travel.



APPENDIX II – PRACTICE INFORMATION

OUR PHILOSOPHY

As a patient of the James Main Dental Partnership our personal promise to you can be summarised in what we call our four C's:

To help our patients attain a Comfortable mouth and a Confident smile whilst treated in a Caring environment with Cost effective, high quality dentistry

Comfortable Mouth

Our primary aim is to ensure that our patients mouths are comfortable and is something they do not have to concern themselves with in their everyday lives.

Our aim is to ensure we treat any disease of the mouth to a high professional standard. With the help of our Hygienist we aim to ensure that you are fully aware of the preventative measures you can take to prevent further disease of the mouth.

Confident Smile

First impressions count!

We are very aware how true that statement is in our society today. As such, we are keen to give our patients a more confident smile should they wish. Your smile is recognised to be one of the first features that people look at when they first meet you. Your teeth and gums are an important and integral part of your smile. While we do not aim to give a "glamorous" smile to all our patients, we would like to feel that our patients are able to smile with confidence and that their teeth and gums are not preventing them from expressing one of the most valuable features of their personality.

Practice Philosophy

*Comfort
Confidence
Care
Cost Effective*

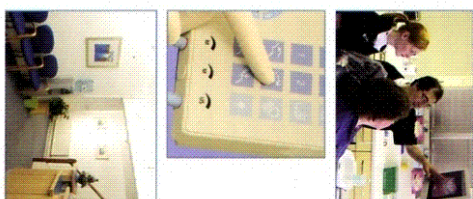
Caring Environment

It is our aim to ensure that as a patient of the practice you feel cared for as a person, particularly as far as your oral health is concerned, your contact and visits to the practice are good experiences where that feeling of care is reinforced. By creating a caring environment in the practice we hope that you will feel happy and cared for as a patient of the practice.

Cost Effective Dentistry

By delivering fillings, crowns, dentures and other forms of treatment to a high clinical standard with the long term care of your mouth in mind, in conjunction with placing you on a regular prevention programme, we believe that this delivers the most cost effective professional care to ensure that you have healthy teeth and a happy smile for life.

To show our commitment to this aim, all work carried out at the Practice is guaranteed for four years unless specifically excluded providing you attend for regular maintenance care.



SERVICES PROVIDED

We are a general dental practice that offers the following services:

Examination of your teeth and gums and giving you mouth a complete health check. This may include the taking of x-rays.

Fillings. We do conventional silver fillings as well as white fillings and porcelain or gold fillings. We can replace mercury based fillings with mercury free alternatives and this is done under conditions that ensure the safest removal of the mercury.

Root Fillings. This is where you have an infection in a tooth and the dentist is required to clean out the inner channels of the tooth and then to seal it.

Periodontal Treatment. In conjunction with the Hygienist we can deal with most levels of gum disease, very occasionally, in the most severe cases the patient will need to be referred for a specialist opinion.

Crowns and Bridges. This is where we can replace teeth that you have lost, or to strengthen weakened teeth. Unlike dentures, bridges are permanently fixed in your mouth and do not need to be removed.

Teeth Whitening. We are able to whiten your teeth in a safe and effective manner. The results achieved often surpass patient expectations.



Dental Services

- Implants*
- Root Fillings*
- Crown & Bridges*
- Cosmetic Dentistry*
- Dentures*
- Extractions*



01458 831883

3 Lambrook Street, Glastonbury, Somerset BA6 8BY

Cosmetic Treatment. We carry out cosmetic treatment in order to give you a confident smile. This starts with a smile analysis where we can create your desired smile on a computer image before carrying out the treatment to achieve your confident smile. Our philosophy is to achieve that desired look with the minimum disruption to your existing teeth and gums.

Implants. Commonly known as screw in teeth. If you are missing teeth, implants can fix teeth into your mouth in the same way as your natural teeth are held in the mouth. They can also be used very effectively to retain dentures.

Dentures. We are able to make any type of denture that is deemed to be clinically required for the patient.

Extractions. Although a procedure that we try to avoid we can carry out the full range of extractions that may be clinically required.

All work carried out at the practice is guaranteed for four years unless specifically excluded, providing you attend for regular maintenance care.



01458 831883

3 Lambrook Street, Glastonbury, Somerset BA6 8BY

Staff Profiles

*Dr James Main
Tracy Edwards*



Dr Main has trained in hypnotherapy and is happy to see patients with problems not relating to dentistry if he feels he is able to treat them successfully.

James, his wife Jo and their sons Struan, Fergus and Theo are no strangers to Somerset. James served with 40 Commando, Royal Marines at Norton Manor Camp in Taunton from 1985 to 1987 as their Dental Officer, and Jo was raised in North Curry near Taunton where they were married. They then lived in various parts of the country as well as a few years in the Cayman Islands, British West Indies before returning to Somerset from the Isle of Wight.

Tracy Edwards
(Dip DH RCS Eng 2003)

Tracy Rollinson is a qualified Dental Hygienist holding a 2003 diploma with distinction from the Eastman Dental Hospital, London.

Starting her professional dental career during 1996 in Yorkshire, Tracy then moved south to North Petherton, Somerset in 1998. By 2001 she had chosen to study Dental Hygiene making a two year commitment to the Eastman Dental Hospital, London to commence her Dental Hygienist training.

Successfully taking her finals in 2003, Tracy qualified, returned to Somerset and has now joined us here at the James Main Dental Partnership.



Dr James Main
BDS(Edin) MFGDP RCS(Eng)

Dr James Main qualified from Edinburgh University in 1984 and obtained membership of the Faculty of General Dental Practitioners at the Royal College of Surgeons England in 1992. Dr Main has extensive clinical experience in all aspects of dentistry (except Orthodontics).

Dr Main started his career in Westminster Hospital in London then spent a period in the Royal Navy as a Dental Officer and has been in Private Practice since 1990 both in England and in the Caribbean.

He was involved in teaching Restorative Dentistry part-time at the University of Manchester Dental School where he held the post of Honorary Clinical Tutor. He has had several articles published in the dental journals both here and in the USA such as the highly regarded British Dental Journal and the American Journal of Dentistry. Whilst Dr Main's background is in the general care of patient's mouths he has extensive experience and a special interest in modern cosmetic dentistry and in the treatment of nervous patients. He believes in caring for the patient as a whole in relation to their oral health.

Dr Main also has a special interest in Dental Implants, especially in relation to replacing lost teeth to their natural form and function.





APPENDIX III – LETTER FROM THE BDA



TERMS OF REFERENCE (DRAFT)

Version Control

Client: James Main Dental Partnership (Prospect)
Client Ref: 58861
Author: Faye Brook
Date: 14/11/2005
Version: v0.3 Draft

Overview

The overall aim of the BDA's consultancy service will be to ensure the smooth integration and development of each target practice into The James Main Dental Partnership, driving improvements to the quality and delivery of services and to the environment of the practice, which are visible to patients. The "essence" of the practice should be maintained to ensure that any changes leverage and build upon patients' loyalty to the practice.

Items In Scope

- Change management consultancy
- Integration of new practices with James Main Dental Partnership
- Signposting to other areas of BDA advice

Items Not In Scope

- Review of business plan
- Review of financial planning
- Legal aspects of forming the new partnership
- Assistance in raising capital and corporate finance



Objectives

1. To ensure that the mission statement of the James Main Dental Partnership is fulfilled in relation to the programme of expansion: "To ensure our Patients attain a comfortable mouth and a confident smile treated in a caring environment with high quality cost effective dentistry."
2. To initiate and facilitate the achievement of the BDA's Good Practice Scheme for every Practice that is integrated
3. To enable a smooth and efficient integration of practices into the James Main Dental Partnership
4. To promote a happy and motivated team by providing training and team building exercises in each integrated practice
5. In conjunction with the James Main Dental Partnership and with reference to best practice, to design a set of business processes and systems and to support their adoption as appropriate by the integrated practices
6. To provide training and support to personnel in a leadership position and to ensure that the above objectives can be delivered and maintained.

Execution

Objective 1: The existing James Main Dental Partnership practice brochure has greater detail and expansion of what our mission statement entails. Whilst much of it may appear to be clinically based, the underlying thread throughout the whole mission statement is that the Practice is completely Patient focused from the moment the patient enters the building to the moment the patient leaves and beyond in ensuring that the patient feels completely cared for as far as their oral health is concerned and thereby building a greater trust with the practice and ultimately feeling that they are not simply patients, but friends of the Practice.

The BDA Consultancy Service should be concentrating on the non-clinical aspects of the delivery of the mission statement. These are:

- Delivering high quality customer care
- Motivating patients towards our mission statement with modern dentistry
- Achieving the trust of our patients so that they become not only patients of the practice but friends of the practice
- Dealing with difficult patients

Objective 2: Explanation of the BDA Good Practice Scheme and outlining to key personnel what needs to be achieved. The expected timescale for achievement will be within 15 months from taking over the practice. Note: The Scheme will be sold separately



Objective 3: Any change causes concern and anxiety amongst those that it will affect. The BDA Consultancy Team is to ensure that the change that is carried out diminishes this concern and anxiety whilst enhancing the benefits of change in a positive fashion and to ensure that the process of change - that is Explanation, Execution, Effect - is a beneficial and positive process and that it invigorates the team as opposed to demoralising the team

Objective 4: The BDA Consultancy Service will be expected to deliver a program of Team Building exercises and to focus on assuring that the team remains a happy and motivated team with a purposeful role for both the team and its members to ensure that the objectives as listed are achieved

Objective 5: The BDA Consultancy Service along with The James Main Dental Partnership will formulate in detail the business practices that are expected, these will include such things as pricing strategy, loss leaders, over the counter payment policies, failed appointment policies, methodology of payment, discussion of funding of treatments, financial controls, stores ordering, laboratory use, financial responsibility amongst the team in profit sharing, stake holder pensions, understanding of the practice development plan and its financial objectives

Objective 6: The BDA Consultancy Team will be required to assess those personnel in leadership roles and to offer appropriate training to ensure that they have the proper tools to deliver the objectives as listed above

Audit and Assessment Of Integrated Practices

The BDA Consultancy Service will be proactive in monitoring and assessing progress of each integrated practice along with the operations manager, to ensure that the objectives in this document are achieved. The BDA Consultancy Service will give strategic support as and when requested by the upper management i.e. James or Jo Main and the Partnership's Operations Manager, subject to the commitment level stated below.

The BDA Consultancy Service in conjunction with The James Main Dental Partnership will carry out an assessment of the integrated practices to ensure that the training that is delivered meets the needs of the practice in view of the objectives to be achieved. The Consultancy Service will also assess the training needs of the upper management and recommend or deliver training that will fulfil their needs and ensure they are capable of delivering the objectives as highlighted above.

Audit and Assessment Of BDA Consultancy Service

The BDA Consultancy Service will undertake a one-hour conference call per month with the management of The James Main Dental Partnership in order to monitor progress of the integrated practices in relation to the delivery of BDA Consultancy Services.



Every 6 months there will be a face-to-face meeting of the management of The James Main Dental Partnership with BDA Consultants to perform an overall review of all aspects of the delivery of that service in relation to the objectives as laid out. This will be a full review and performance assessment of the service delivered.

Deliverables

- Integration Launch Workshop: A two day format of training and interactive workshop sessions for the teams of newly integrated practices.
 - Welcome to the Partnership
 - Introduction to the ethos and concept of the James Main Dental Partnership
 - Workshop session to review existing business processes, opportunities for improvement
 - Team-building exercises
 - Workshop session to develop a Practice Improvement Plan
 - Introduction to the BDA Good Practice Scheme
 - Management development training, as appropriate
- Business Process Review Pack. A set of documentation mapping out best practice for the James Main Dental Partnership in areas such as pricing strategy, loss leaders, over the counter payment policies, failed appointment policies, methodology of payment, discussion of funding of treatments, financial controls, stores ordering, laboratory use, financial responsibility amongst the team in profit sharing, stake holder pensions, understanding of the practice development plan and its financial objectives
- Practice Assessment Programme: An programme of regular review and assessment to monitor the progress against plan of integrated practices. This is expected to comprises regular progress reports to James Main, as well as visits to practices to help address any issues
- Change management aids as appropriate
- Training materials and seminars as appropriate

Commitment

- 1 Man Day = 7 hours = 9am – 5pm
- Commitment for the period November 2005 to April 2006 will not exceed a maximum of 3 man days per month. This be provided either as a single 3 day session or as individual days
- All working and travel time counts towards this time commitment (on and off site)
- Work will be allocated in a half day block minimum
- The commitment for the period April 2006 – October 2007 will not exceed a maximum of 10 man days per month. This be provided either as a single 3 day session or as individual days.
- It is envisaged that each integrated practice will require 2 to 3 full training days in order to fulfil the objectives laid out in this document.



- It is envisaged that there will be one half day site visit by both Faye and Tim, thereby the equivalent of one full day visit to each integrated practice every four months in the first year.
- Commitment will be subject to review in September 2006, depending on capacity

- All time, excluding the usual free 1:1 advice entitlement will be charged to the James Main Dental Partnership
- All practices will have on-line support from the BDA Consultancy Service as well as telephone support as required.

Client visits

- Client visits must be scheduled one month in advance
- We will usually book in client visits over 2 days to minimise journey time

Personnel

Faye Brook and Tim Parsons will work together to deliver the consultancy service in the early stages. Faye will lead the initiative and will be responsible for ensuring that Tim and any other BDA adviser has the necessary capability, competence and confidence to deliver the BDA Consultancy Service in line with the agreed objectives. Delivery will be subject to the formal review process as indicated in the Audit and Appraisal of BDA Consultancy Service section.

Fees

- The initial consultancy rate has been agreed at £250.00 per man day to reflect the immaturity of the service
- This rate will be subject to review after 3 months, so in February 2006
- This excludes any accommodation costs which will be incurred if an overnight stay is required

Contract

To be agreed, with due regard to the terms of reference outlined in this document as well as other legal niceties such as termination of agreement and responsibilities and liabilities etc.



APPENDIX IV – HISTORICAL ACCOUNTS FOR J R MAIN

DR J R MAIN

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	<u>2005</u>	
	£	£
Fees Receivable		286,809
<u>COST OF SALES</u>		
Materials	32,234	
Laboratory Charges	27,921	
		<u>60,155</u>
<u>GROSS PROFIT</u>		226,654
<u>LESS OVERHEADS</u>		
Salaries and Wages	58,654	
Other Staff Costs	488	
Motor Expenses	4,083	
Telephone Charges	1,061	
Printing, Postage and Stationery	2,757	
Professional Journals & Subscriptions	1,022	
Sundry Expenses	744	
Waste Charges	762	
Cleaning	2,346	
Protective Clothing	361	
Course Fees	1,860	
Depreciation Motor Vehicles	3,000	
Depreciation Fixtures and Fittings	13,857	
Advertising	4,107	
Heating and Lighting	1,284	
Repairs and Renewals	7,285	
Insurance	2,622	
Rent and Rates	2,631	
Waiting Room Expenses	433	
Study Allowance	620	
Bank Charges & Interest	2,215	
Bank Loan Interest	14,462	
Equipment Leasing	6,693	
Legal and Professional Fees	5,174	
Accountancy Charges	1,884	
		<u>140,405</u>
<u>NET PROFIT FOR THE YEAR</u>		<u>£ 86,249</u>



DR J R MAIN

BALANCE SHEET AS AT 31ST MARCH 2005

	<u>2005</u>
	£
<u>FIXED ASSETS</u>	
Tangible Assets	250,470
Intangible Assets	43,500
	<u>293,970</u>
<u>CURRENT ASSETS</u>	
Trade Debtors	9,286
	<u>9,286</u>
<u>CURRENT LIABILITIES</u>	
Main Bank Account	7,288
Trade Creditors	1,959
	<u>9,247</u>
<u>NET CURRENT ASSETS</u>	
	39
	<u>£ 294,009</u>
<u>REPRESENTED BY:</u>	
<u>CAPITAL ACCOUNT</u>	
Opening Capital	(18,511)
Net Profit for the Year	86,249
	<u>67,738</u>
Drawings	78,134
	<u>(10,396)</u>
<u>LONG TERM LIABILITIES</u>	
Long Term Liabilities	230,979
Business Development Loan	73,426
	<u>304,405</u>
	<u>£ 294,009</u>

Approved _____



DR J R MAIN

**SCHEDULE OF TANGIBLE FIXED ASSETS
FOR THE YEAR ENDED 31ST MARCH 2005**

	Motor Vehicles £	Fixtures and Fittings £	Land and Buildings £	TOTAL £
<u>COST</u>				
At 1st April 2004	23,757	96,727	105,000	225,484
Additions in the year	-	41,843	-	41,843
At 31st March 2005	<u>23,757</u>	<u>138,570</u>	<u>105,000</u>	<u>267,327</u>
<u>DEPRECIATION</u>				
At 1st April 2004	-	-	-	-
Charge for the year	3,000	13,857	-	16,857
At 31st March 2005	<u>3,000</u>	<u>13,857</u>	<u>-</u>	<u>16,857</u>
<u>NET BOOK VALUE</u>				
At 31st March 2005	<u>20,757</u>	<u>124,713</u>	<u>105,000</u>	<u>250,470</u>

DR J R MAIN

**SCHEDULE OF INTANGIBLE FIXED ASSETS
FOR THE YEAR ENDED 31ST MARCH 2005**

	Goodwill £
<u>COST</u>	
At 1st April 2004 and At 31st March 2005	<u>43,500</u>
<u>NET BOOK VALUE</u>	
At 31st March 2005	<u>43,500</u>



-		Sundry Expenses	55	
63		Journals	678	
700		Accountancy	276	
250		Staff Canteen	302	
404		Waiting Room Expenses	292	
289		Television Licence and Hire	109	
340		Christmas Expenses	350	
481		Donations	4,119	
<u>4,607</u>		Depreciation	<u>20,450</u>	
	<u>18,985</u>			<u>46,980</u>
	48,110			
		Establishment costs:		
1,989		Rates & Water	117	
1,101		Insurance	478	
1,091		Heat and Light	1,069	
710		Property Maintenance	785	
92		Security	45	
1,120		Cleaning	148	
<u>225</u>		Service Charges	<u>475</u>	
	<u>6,328</u>			<u>3,117</u>
	41,782	Carried forward		43,863

MR J J CARR

TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 January 2004

2003			2004	
£	£		£	£
	41,782	Brought forward		43,863
		Finance costs:		
382		Bank Interest	83	
4,500		Bank Loan Interest	5,400	
841		Hire Purchase	825	
<u>1,352</u>		Bank Charges	<u>809</u>	
	<u>7,075</u>			<u>7,117</u>
	<u><u>£34,707</u></u>	NET PROFIT		<u><u>£36,746</u></u>



APPENDIX VI – DETAILED FINANCIAL FORECASTS

**DETAILED FINANCIAL FORECASTS AVAILABLE AS A
SEPARATE DOCUMENT**