

THE DENCARE MANAGEMENT GROUP PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1996

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**W H PAYNE & CO
CHARTERED ACCOUNTANTS
SANDRINGHAM HOUSE
199 SOUTHWARK BRIDGE ROAD
LONDON SE1 OHA**

The Company's Incorporation No. is 2848490

REPORT OF THE DIRECTORS OF
THE DENCARE MANAGEMENT GROUP PLC

The directors present their annual report and audited financial statements of the group for the year ended 31st March 1996.

Principal activities and business review

The principal activity of the group is dentistry. The Dencare Management Group PLC is the parent company of subsidiary undertakings.

Group turnover increased to £1,007,418 during the year under review following the acquisition of a further dental practice. Despite the growth in turnover the group incurred a loss of £182,727, principally due to head office costs.

The directors believe that with sufficient further funding and appropriate acquisitions, future prospects for the group are good.

Directors and their interests

The directors who have held office during the year and their beneficial interests in the shares of the company are as follows:-

	'A' Ordinary Shares <u>31.3.96</u>	'B' Ordinary Shares <u>31.3.96</u>	Convertible Redeemable Preference Shares <u>31.3.96</u>	'A' Ordinary Shares <u>31.3.95</u>	'B' Ordinary Shares <u>31.3.95</u>	Convertible Redeemable Preference Shares <u>31.3.95</u>
<u>Directors</u>						
S.G.P. Bowen	-	-	-	-	-	-
T.P. Desoutter	70,000	20,000	2,000	40,000	-	2,000
C.H. Dexter	-	-	7,500	-	-	5,000
J.M.F. Dibben	40,000	30,000	-	20,000	-	-
W.A.C. Fielding (resigned 18.8.95)	40,000	-	-	40,000	-	-
F.W. Oertel	-	15,000	-	-	10,000	-

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

REPORT OF THE DIRECTORS OF
THE DENCARE MANAGEMENT GROUP PLC

(continued)

Dividends proposed and transfers to reserves

Payment of a dividend is not recommended. The retained loss for the year of £182,727 has been transferred to the accumulated deficit.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 11 to the accounts.

Policy for payment of creditors

The company complies with the CBI's Prompt Payers Code of Good Practice which states that responsible companies should:

- have a clear, consistent policy that they pay bills in accordance with contract;
- ensure that the finance and purchasing departments are both aware of this policy and adhere to it;
- agree payment terms at the outset of a deal and stick to them;
- not extend or alter payment terms without prior agreement;
- provide suppliers with clear guidance on payment procedures;
- ensure that there is a system for dealing quickly with complaints and disputes and advise suppliers without delay when invoices, or parts of invoices are contested.

Post balance sheet events

On 16th August 1996, the authorised share capital of the company was increased by the creation of 640,000 'C' Ordinary shares of 10p each.

On 16th August 1996, the company issued 320,000 'C' Ordinary shares of 10p for cash of £400,000, as well as £100,000 of Loan stock also issued for cash.

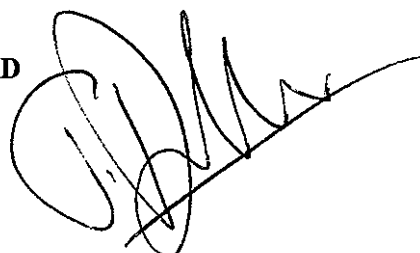
On 17th September 1996, the company subscribed for 1,035,024 Ordinary shares in its subsidiary K.L. Administration Limited (now renamed Dencare Management Limited) at par, partly in cash and partly in satisfaction of a loan account.

Auditors

A resolution to re-appoint W.H. Payne & Co. as auditors of the company will be submitted to the annual general meeting.

BY ORDER OF THE BOARD

T.P. Desoutter
Director



Sandringham House,
199 Southwark Bridge Road,
London, SE1 0HA.

1st November 1996

THE DENCARE MANAGEMENT GROUP PLC

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

THE DENCARE MANAGEMENT GROUP PLC

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st March 1996 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



W H Payne & Co.,
Chartered Accountants
and Registered Auditor,
Sandringham House,
199 Southwark Bridge Road,
London, SE1 0HA

1st November 1996

THE DENCARE MANAGEMENT GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1996

	<u>Note</u>	<u>Continuing operations 1996</u>	<u>Acquisitions 1996</u>	<u>1996</u>	<u>1995</u>
Turnover	(2)	757,902	249,516	1,007,418	381,357
Cost of sales		(710,008)	(235,794)	(945,802)	(366,101)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross profit		47,894	13,722	61,616	15,256
Administrative expenses		(163,535)	(45,873)	(209,408)	(194,560)
Amortisation of goodwill		(13,682)	(4,099)	(17,781)	(7,896)
		<hr/>	<hr/>	<hr/>	<hr/>
Operating (loss)		£(129,323)	£(36,250)	(165,573)	(187,200)
Interest receivable and similar income	(3)	<hr/>	<hr/>	2,136	7,512
Interest payable and similar charges	(4)			(19,290)	(8,465)
				<hr/>	<hr/>
(Loss) on ordinary activities before taxation	(7)			(182,727)	(188,153)
Tax on (loss) on ordinary activities	(8)			-	-
				<hr/>	<hr/>
Retained (loss) for the year	(9)			(182,727)	(188,153)
(Accumulated deficit) at beginning of year				(258,711)	(70,558)
				<hr/>	<hr/>
(Accumulated deficit) at end of year				£(441,438)	£(258,711)
				<hr/>	<hr/>

Total recognised gains and losses

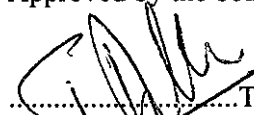
The group has no recognised gains or losses other than the profit and loss for the above two periods.

The accompanying notes are an integral part of this profit and loss account.

THE DENCARE MANAGEMENT GROUP PLC**BALANCE SHEET****31ST MARCH 1996**

	<u>Note</u>	<u>Group 1996</u>	<u>Group 1995</u>	<u>Company 1996</u>	<u>Company 1995</u>
<u>Fixed assets</u>					
Intangible assets	(10)	363,526	267,754	-	-
Tangible assets	(11)	245,318	198,552	-	-
Investments in subsidiary undertakings	(12)	-	-	50,391	50,391
		<hr/>	<hr/>	<hr/>	<hr/>
		608,844	466,306	50,391	50,391
		<hr/>	<hr/>	<hr/>	<hr/>
<u>Current assets</u>					
Stocks	(13)	16,660	7,000	-	-
Debtors	(14)	51,828	41,847	710,737	431,856
Cash at bank and in hand		31,442	34,528	3,013	4,472
		<hr/>	<hr/>	<hr/>	<hr/>
		99,930	83,375	713,750	436,328
Creditors: amounts falling due within one year	(15)	(273,817)	(190,009)	(588)	(8,087)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets/(liabilities)		(173,887)	(106,634)	713,162	428,241
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		434,957	359,672	763,553	478,632
Creditors: amounts falling due after more than one year	(16)	(110,986)	(87,505)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		£323,971	£272,167	£763,553	£478,632
		<hr/>	<hr/>	<hr/>	<hr/>
<u>Capital and reserves</u>					
Called up share capital	(17)	239,814	161,664	239,814	161,664
Share premium account	(18)	525,595	369,214	525,595	369,214
Accumulated deficit		(441,438)	(258,711)	(1,856)	(52,246)
		<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds including non-equity interests	(19)	£323,971	£272,167	£763,553	£478,632
		<hr/>	<hr/>	<hr/>	<hr/>

Approved by the board of directors on 1st November 1996



.....T.P. Desoutter

The accompanying notes are an integral part of these balance sheets.

THE DENCARE MANAGEMENT GROUP PLC**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 1996**

	<u>Note</u>	<u>1996</u>	<u>1995</u>
Net cash (outflow) from operating activities	(20a)	(75,906)	(139,917)
Returns on investments and servicing of finance:			
Interest received	2,136	7,512	
Interest paid	-	(261)	
Interest element of finance lease and hire purchase contracts	(8,884)	(3,544)	
Interest element of goodwill payments	(3,888)	-	
Net cash (outflow)/inflow from returns on investments and servicing of finance		(10,636)	3,707
Investing activities:			
Payments to acquire tangible fixed assets	5,603	101,841	
Payments to acquire intangible fixed assets	99,589	89,744	
Purchase of subsidiary undertaking (net of cash and cash equivalents acquired)	(20b) -	19,525	
Net cash (outflow) from investing activities		(105,192)	(211,110)
Net cash (outflow) before financing		(191,734)	(347,320)
Financing:			
Issue of share capital	250,500	55,000	
Capital element of finance lease and hire purchase contracts	(41,384)	(21,414)	
Expenses paid in connection with share issues	(20,468)	-	
Net cash inflow from financing	(20c)	188,648	33,586
(Decrease) in cash and cash equivalents	(20d)	£(3,086)	£(313,734)

The accompanying notes are an integral part of this statement.

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1996

1. **Accounting policies**

The principal accounting policies, which have been consistently applied, are:-

(a) **Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) **Principles of consolidation**

The group's financial statements consolidate those of the company and all of its subsidiary undertakings for the year ended 31st March 1996. The results of its subsidiaries acquired or disposed of during the period are included in the group's profit and loss account from the date of acquisition or up to the date of their disposal.

Goodwill arising on consolidation is amortised over a period of 20 years.

(c) **Intangible fixed assets**

Goodwill, arising from the purchase of subsidiary companies or the business and assets of dental practices, representing the excess of the purchase consideration over the fair value of the net assets acquired, is written off over twenty years following acquisition in the group profit and loss account. If a company or dental practice is subsequently divested, the appropriate goodwill is dealt with through the group profit and loss account in the period of disposal as part of the calculation of the gain or loss on divestment. Costs associated with acquisitions are capitalised as part of the goodwill.

(d) **Tangible fixed assets**

Tangible fixed assets are stated at historical cost less depreciation.

Depreciation is provided on tangible fixed assets at rates calculated to write-off their cost less estimated residual value on a straight line basis from the time they are available for use, over their estimated useful life as follows:-

Dental equipment	15% per annum
Fixtures and fittings	15% per annum
Computers and office equipment	20% per annum

Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the improvements.

(e) **Investments in subsidiary undertakings**

In the company's accounts, investments in subsidiary undertakings are stated at cost less provision for permanent diminution.

(f) **Stocks**

Dental materials on hand are valued at the lower of cost and net realisable value after making allowance for obsolete items.

(g) **Taxation**

The charge for taxation is based on the profit and loss for the year. Provision is made for deferred tax, using the liability method, to recognise timing differences between profits stated in the accounts and profits computed for taxation purposes, where, in the opinion of the directors, there is a reasonable probability that a liability to taxation will arise in the foreseeable future.

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31ST MARCH 1996**

1. **Accounting policies - (continued)**

(h) **Turnover**

Turnover represents total work done.

2. **Turnover**

The turnover and operating loss are attributable to the principal activity of the group.

3. <u>Interest receivable and similar income</u>	<u>1996</u>	<u>1995</u>
Interest receivable on bank deposits	£2,136	£7,512
	<hr/>	<hr/>
4. <u>Interest payable and similar charges</u>	<u>1996</u>	<u>1995</u>
Interest element of goodwill payments	10,406	4,660
Finance lease and hire purchase interest	8,884	3,544
Bank loan and overdraft interest	-	261
	<hr/>	<hr/>
	£19,290	£8,465
	<hr/>	<hr/>

5. **Employees**

Average monthly number of people (including directors)
employed by the group during the year:-

	<u>No. of employees</u>	
	<u>1996</u>	<u>1995</u>
Administration	6	7
Dentistry	15	5
	<hr/>	<hr/>
	21	12
	<hr/>	<hr/>

Costs in respect of these employees:-

	<u>1996</u>	<u>1995</u>
Wages and salaries	193,280	163,909
Social security costs	17,223	13,330
	<hr/>	<hr/>
	£210,503	£177,239
	<hr/>	<hr/>

6. **Directors' emoluments**

	<u>1996</u>	<u>1995</u>
The emoluments of the chairman	£-	£-
The emoluments of the highest paid director	£30,000	£39,267
	<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31ST MARCH 1996**

6. <u>Directors' emoluments - (continued)</u>	<u>No. of directors</u>	
The emoluments of the other directors fell into the following bands:-	<u>1996</u>	<u>1995</u>
£nil - £5,000	3	2
£5,001 - £10,000	1	1
£35,001 - £40,000	-	1
	<hr/>	<hr/>

C.H. Dexter has an interest in a company which received fees of £22,014 (1995 - £8,307) inclusive of VAT in respect of consultancy services provided to the group.

7. <u>(Loss) on ordinary activities before taxation</u>	<u>1996</u>	<u>1995</u>
(Loss) on ordinary activities before taxation is arrived at, after charging:-	<u>£</u>	<u>£</u>
Goodwill amortised	17,781	7,896
Depreciation	35,848	13,614
Directors' remuneration (including benefits in kind)	37,500	84,634
Auditors' remuneration	7,000	5,875
Other services provided by auditors	5,000	11,274
Operating lease rentals - property	41,858	15,402
	<hr/>	<hr/>

8. Tax on (loss) on ordinary activities

No provision for corporation tax is made due to the availability of trading losses. At the year end there were corporation tax losses of approximately £426,000 (1995 - £275,000) available in the group for set-off against future assessable profits.

9. Retained profit for the year

The retained profit of the company for the year was £50,390 (1995 - £17,895).

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company is not included as part of these accounts.

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1996

10. Intangible fixed assets

	Group		
	Consolidated goodwill	Purchased goodwill	Total
Cost			
At beginning of year	33,109	243,016	276,125
Additions	-	113,553	113,553
	-----	-----	-----
At end of year	33,109	356,569	389,678
	-----	-----	-----
Amortisation			
At beginning of year	2,069	6,302	8,371
Charge for year	1,656	16,125	17,781
	-----	-----	-----
At end of year	3,725	22,427	26,152
	-----	-----	-----
Net book value			
At end of year	£29,384	£334,142	£363,526
	=====	=====	=====
At beginning of year	£31,040	£236,714	£267,754
	=====	=====	=====

11. Tangible fixed assets

	Group			
	Leasehold improvements	Fixtures and fittings	Computers and office equipment	Total
Cost				
At beginning of year	46,711	128,240	37,351	212,302
Additions	3,105	72,348	7,161	82,614
	-----	-----	-----	-----
At end of year	49,816	200,588	44,512	294,916
	-----	-----	-----	-----
Depreciation				
At beginning of year	584	8,635	4,531	13,750
Charge for the year	2,374	25,190	8,284	35,848
	-----	-----	-----	-----
At end of year	2,958	33,825	12,815	49,598
	-----	-----	-----	-----
Net book value				
At end of year	£46,858	£166,763	£31,697	£245,318
	=====	=====	=====	=====
At beginning of year	£46,127	£119,605	£32,820	£198,552
	=====	=====	=====	=====

Included in fixed assets are assets held under finance leases (or similar hire purchase contracts) with a net book value of £124,920 (1995 - £88,360). Depreciation allocated to these assets during the year amounted to £18,345 (1995 - £8,299).

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1996

12. <u>Investments in subsidiary undertakings</u>	<u>Company</u> <u>1996</u>	<u>Company</u> <u>1995</u>
Cost		
At beginning of year	50,391	55,551
Adjustment to cost of purchase	-	(5,160)
	<hr/>	<hr/>
At end of year	£50,391	£50,391
	<hr/>	<hr/>

Subsidiary undertakings and the proportions of share capital all being Ordinary shares held by The Dencare Management Group PLC are as follows:-

	<u>1996</u>	<u>1995</u>
K.L. Administration Limited	100%	100%
Canaryville Limited (dormant)	100%	100%
Logicscope Marketing Limited (dormant)	100%	100%

All the above subsidiary undertakings are registered in England and Wales.

The trading subsidiary undertaking supplies services as dentists.

13. <u>Stocks</u>			<u>1996</u>	<u>1995</u>
Dental materials			£16,660	£7,000
			<hr/>	<hr/>
14. <u>Debtors</u>	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
<u>Amounts falling due within one year:</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Trade debtors	25,720	13,500	-	-
Amounts due from subsidiary undertakings	-	-	710,737	427,290
Other debtors	14,000	20,566	-	4,566
Prepayment and accrued income	12,108	7,781	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£51,828	£41,847	£710,737	£431,856
	<hr/>	<hr/>	<hr/>	<hr/>
15. <u>Creditors: amounts falling due within one year</u>	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Obligations under finance leases and hire purchase contracts	38,267	33,084	-	-
Trade creditors	19,242	21,521	-	-
Other taxation and social security	7,848	2,848	-	-
Other creditors	-	2,812	-	-
Deferred consideration	68,463	37,507	-	-
Accruals and deferred income	139,997	92,237	588	8,087
	<hr/>	<hr/>	<hr/>	<hr/>
	£273,817	£190,009	£588	£8,087
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred consideration is secured by a fixed charge over the goodwill of two of the practices.

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31ST MARCH 1996**

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

	<u>Group</u> <u>1996</u>	<u>Group</u> <u>1995</u>	<u>Company</u> <u>1996</u>	<u>Company</u> <u>1995</u>
Obligations under finance leases and hire purchase contracts due within two to five years	57,826	42,164	-	-
Deferred consideration	53,160	45,341	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£110,986	£87,505	£-	£-
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred consideration is secured by a fixed charge over the goodwill of one of the practices.

17. Called up share capital

	<u>1996</u>	<u>1995</u>
Authorised:		
150,000 'A' Ordinary shares of £1 each	150,000	100,000
4,670,000 'B' Ordinary shares of 10p each	467,000	517,000
500,000 Convertible Redeemable Preference shares of £1 each	500,000	500,000
	<hr/>	<hr/>
	£1,117,000	£1,117,000
	<hr/>	<hr/>
Allotted, called-up and fully paid:		
150,000 'A' Ordinary shares of £1 each	150,000	100,000
603,136 'B' Ordinary shares of 10p each	60,314	41,164
29,500 Convertible Redeemable Preference shares of £1 each	29,500	20,500
	<hr/>	<hr/>
	£239,814	£161,664
	<hr/>	<hr/>

During the year the company allotted 50,000 'A' Ordinary shares of £1 each at par, 191,500 'B' Ordinary shares of 10p each with a nominal value of £19,150 at a premium of £172,350 and 9,000 Convertible Redeemable Preference shares of £1 each at par to provide further working capital.

The Convertible Redeemable Preference shares may at the option of the company or the shareholders be redeemed at their nominal value between the 1998 Annual General Meeting and 30th December 2003.

Rights and principal features of each class of share

A summary of the rights and principal features of each class of share would not adequately explain the commercial effect of the share instruments, particulars of which are included in the company's Articles of Association which are available from the company secretary at the Registered Office.

18. Share premium account

	<u>1996</u>	<u>1995</u>
At beginning of year	369,214	260,577
Premium on allotments	172,350	113,136
Expenses of share issue	(15,969)	(4,499)
	<hr/>	<hr/>
At end of year	£525,595	£369,214
	<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) **FOR THE YEAR ENDED 31ST MARCH 1996**

19. <u>Reconciliation of movements on shareholders' funds</u>	<u>Group</u> <u>1996</u>	<u>Group</u> <u>1995</u>	<u>Company</u> <u>1996</u>	<u>Company</u> <u>1995</u>
(Loss)/profit for the financial year after taxation	(182,727)	(188,153)	50,390	17,895
Share capital subscribed	78,150	11,864	78,150	11,864
Share premium received	156,381	108,637	156,381	108,637
	<hr/>	<hr/>	<hr/>	<hr/>
	51,804	(67,652)	284,921	138,396
Shareholders' funds at beginning of year	272,167	339,819	478,632	340,236
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at end of year	£323,971	£272,167	£763,553	£478,632
	<hr/>	<hr/>	<hr/>	<hr/>
Represented by:-				
Equity shares	294,471	251,667	734,053	458,132
Non-equity shares	29,500	20,500	29,500	20,500
	<hr/>	<hr/>	<hr/>	<hr/>
	£323,971	£272,167	£763,553	£478,632
	<hr/>	<hr/>	<hr/>	<hr/>
20. <u>Consolidated cash flow statement</u>				
(a) <u>Reconciliation of operating profit to net cash (outflow) from operating activities</u>			<u>1996</u>	<u>1995</u>
Operating (loss)			(165,573)	(187,200)
Depreciation			35,848	13,614
Goodwill written off			17,781	7,896
(Increase) in stocks			(9,660)	(7,000)
(Increase) in debtors			(9,981)	(32,353)
Increase in creditors			55,679	65,126
			<hr/>	<hr/>
Net cash (outflow) from operating activities			£(75,906)	£(139,917)
			<hr/>	<hr/>
(b) <u>Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings</u>			<u>1996</u>	<u>1995</u>
Cash consideration paid			-	19,525
			<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries			£-	£19,525
			<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1996

20. Consolidated cash flow statement - (continued)

(c) Analysis of changes in financing during the year

	<u>1996</u>			<u>1995</u>		
	<u>Share capital</u>	<u>Share premium</u>	<u>Finance lease obligations</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Finance lease obligations</u>
Balance at beginning of year	161,664	369,214	75,248	149,800	260,577	-
Net cash inflows from financing	78,150	151,882	(41,384)	5,500	49,500	(21,414)
Shares issued for non cash consideration	-	-	-	6,364	63,636	-
Inception of finance lease contracts	-	-	62,229	-	-	96,662
Costs of share issue	-	4,499	-	-	(4,499)	-
Balance at end of year	£239,814	£525,595	£96,093	£161,664	£369,214	£75,248

(d) Analysis of changes in cash and cash equivalents during the year

	<u>1996</u>	<u>1995</u>
Balance at beginning of year	34,528	348,262
Net cash (outflow)/inflow	(3,086)	(313,734)
Balance at end of year	£31,442	£34,528

(e) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	<u>1996</u>	<u>1995</u>	<u>Change in year</u>
Cash at bank and in hand	£31,442	£34,528	£3,086

(f) Major non-cash transactions

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £62,229 (1995 - £96,662).

21. Guarantees and other financial commitments

(a) Capital commitments

	<u>1996</u>	<u>1995</u>
At the end of the year, capital commitments were:-		
Authorised by the directors but not contracted for	£209,225	£-

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1996

21. Guarantees and other financial commitments - (continued)

(b) Lease commitments 1996

The minimum annual rentals under operating leases are as follows:- **Property**

Operating leases which expire:-

Within 2 - 5 years **31,000**

After 5 years **20,000**

£51,000

(c) Guarantees

The company has provided a guarantee for a subsidiary undertaking in respect of a finance lease to purchase fixtures and fittings. The amount outstanding at 31st March 1996 was £4,772.

22. Post balance sheet events

On 16th August 1996, the authorised share capital of the company was increased by the creation of 640,000 'C' Ordinary shares of 10p each.

On 16th August 1996, the company issued 320,000 'C' Ordinary shares of 10p for cash of £400,000, as well as £100,000 of Loan stock also issued for cash.

On 17th September 1996, the company subscribed for 1,035,024 Ordinary shares in its subsidiary K.L. Administration Limited (now renamed Dencare Management Limited) at par, partly in cash and partly in satisfaction of a loan account.