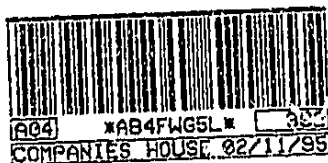


THE DENCARE MANAGEMENT GROUP PLC
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1995

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W H PAYNE & CO
CHARTERED ACCOUNTANTS
SANDRINGHAM HOUSE
199 SOUTHWARK BRIDGE ROAD
LONDON SE1 0HA

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 1995.

Principal activities and business review

The principal activity of the Group is dentistry.

The Dencare Management Group PLC is the parent company of a group of subsidiary undertakings.

Group turnover increased to £381,220 during the year under review following the acquisition of a number of dental practices. Despite these acquisitions the Group incurred a loss of £188,153. During the current year the Company has continued its expansion by acquiring a further dental practice and anticipates achieving a substantially improved trading performance.

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	'B' Ordinary Shares	Convertible Redeemable Preference Shares	'A' Ordinary Shares	'B' Ordinary Shares	Convertible Redeemable Preference Shares
Directors	31.3.95	31.3.95	31.3.95	31.3.94	31.3.94	31.3.94
S.G.P. Bowen	-	-	-	-	-	-
T.P. Desoutter	40,000	-	2,000	40,000	-	2,000
C.H. Dexter	-	-	5,000	-	-	5,000
J.M.F. Dibben	20,000	-	-	20,000	-	-
W.A.C. Fielding (resigned 18.8.95)	40,000	-	-	40,000	-	-
F.W. Oertel	-	10,000	-	-	-	-

At the date of his appointment F.W. Oertel had a beneficial interest in 10,000 'B' Ordinary shares.

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;
- Follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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 £188,153 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.

Post balance sheet events

On 23rd May 1995, the Company issued by way of a Rights Issue a further 50,000 'A' Ordinary Shares of £1, 191,500 'B' Ordinary Shares of 10p and 9,000 Convertible Redeemable Preference Shares of £1 each for £50,000, £191,500 and £9,000 respectively.

On 5th June, the Group acquired the business and assets of another dental practice for a total consideration of £101,600. Additional amounts may become payable dependent upon the future performance of the practice and are secured against the practice goodwill.

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.

10th October 1995

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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 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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 1995 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

30th October 1995

THE DENCARE MANAGEMENT GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1995

	Note	Continuing operations 1995	Acquisitions 1995	1995	1994
Turnover	(2)	137	381,220	381,357	589
Cost of sales		(253)	(365,848)	(366,101)	(530)
Gross profit/(loss)		(116)	15,372	15,256	59
Marketing expenses		-	(5,185)	(5,185)	-
Administrative expenses		-	(189,375)	(189,375)	(73,364)
Amortisation of goodwill		(1,594)	(6,302)	(7,896)	(475)
Operating (loss)		(1,710)	(185,490)	(187,200)	(73,780)
Interest receivable and similar income	(3)	-	7,512	7,512	3,222
Interest payable and similar charges	(4)	-	(8,465)	(8,465)	-
(Loss) on ordinary activities before taxation	(7)	£(1,710)	£(186,443)	(188,153)	(70,558)
Tax on (loss) on ordinary activities	(8)			-	-
Retained (loss) for the year	(9)			(188,153)	(70,558)
Accumulated deficit at beginning of year				(70,558)	-
Accumulated deficit at end of year				£(258,711)	£(70,558)

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 1995

	<u>Note</u>	<u>Group</u> <u>1995</u>	<u>Group</u> <u>1994</u>	<u>Company</u> <u>1995</u>	<u>Company</u> <u>1994</u>
<u>Fixed assets</u>					
Intangible assets	(10)	267,754	37,794	-	-
Tangible assets	(11)	198,552	7,238	-	7,238
Investments in subsidiary undertakings	(12)	-	-	50,391	55,551
		<hr/>	<hr/>	<hr/>	<hr/>
		466,306	45,032	50,391	62,789
		<hr/>	<hr/>	<hr/>	<hr/>
<u>Current assets</u>					
Stocks		7,000	-	-	-
Debtors	(13)	41,847	9,494	431,856	926
Cash at bank and in hand		34,528	348,262	4,472	348,111
		<hr/>	<hr/>	<hr/>	<hr/>
		83,375	357,756	436,328	349,037
Creditors: amounts falling due within one year	(14)	(190,009)	(62,969)	(8,087)	(71,590)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets/(liabilities)		(106,634)	294,787	428,241	277,447
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		359,672	339,819	478,632	340,236
Creditors: amounts falling due after more than one year	(15)	(87,505)	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		£272,167	£339,819	£478,632	£340,236
		<hr/>	<hr/>	<hr/>	<hr/>
<u>Capital and reserves</u>					
Called up share capital	(16)	161,664	149,800	161,664	149,800
Share premium account	(17)	369,214	260,577	369,214	260,577
Accumulated deficit		(258,711)	(70,558)	(52,246)	(70,141)
		<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds	(18)	£272,167	£339,819	£478,632	£340,236
		<hr/>	<hr/>	<hr/>	<hr/>

Approved by the board of directors on 10th October 1995.

 F.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 1995

	Note	1995	1994
Net cash (outflow) from operating activities	(19a)	(139,917)	(48,629)
Returns on investments and servicing of finance:			
Interest received	7,512	3,222	
Interest paid	(261)	-	
Interest element of finance lease and hire purchase contracts	(3,544)	-	
Net cash inflow from returns on investments and servicing of finance		3,707	3,222
Investing activities:			
Payments to acquire tangible fixed assets	101,841	7,374	
Payments to acquire intangible fixed assets	89,744	-	
Purchase of subsidiary undertaking (net of cash and cash equivalents acquired)	(19b) 19,525	9,334	
Net cash (outflow) from investing activities		(211,110)	(16,708)
Net cash (outflow) before financing		(347,320)	(62,115)
Financing:			
Issue of ordinary share capital	55,000	413,500	
Expenses paid in connection with share issue	-	(3,123)	
Capital element of finance lease and hire purchase contracts	(21,414)	-	
Net cash inflow from financing		33,586	410,377
(Decrease)/increase in cash and cash equivalents	(19d)	£(313,734)	£348,262

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 1995

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 1995. 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 gains 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

Stocks on hand are valued at the lower of cost and net realisable value.

(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.

(h) Turnover

Turnover represents total work done.

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1995

2. Turnover

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

3. Interest receivable and similar income 1995 1994

Interest receivable on bank deposits £7,512 £3,222

4. Interest payable and similar charges 1995 1994

Interest element of goodwill payments 4,660 -

Finance lease and hire purchase interest 3,544 -

Bank loan and overdraft interest 261 -

£8,465 £-

5. Employees

Average weekly number of people (including directors)
employed by the Group during the year:- No. of employees
1995 1994

Administration 7 3

Dentistry 5 -

Costs in respect of these employees:- 1995 1994

Wages and salaries 163,909 40,000

Social security costs 13,330 4,160

£177,239 £44,160

6. Directors' emoluments 1995 1994

The emoluments of the chairman £- £392

The emoluments of the highest paid director £39,267 £20,133

The emoluments of the other directors fell into the following bands:- No. of directors
1995 1994

£nil - £5,000 2 4

£5,001 - £10,000 1 1

£20,001 - £25,000 - 1

£35,001 - £40,000 1 -

C.H. Dexter has an interest in a company which received fees of £8,307 inclusive of VAT in respect of consultancy services provided by the Group.

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1995

7. (Loss) on ordinary activities before taxation	1995	1994
(Loss) on ordinary activities before taxation is arrived at, after charging:-	£	£
Goodwill amortised	7,896	475
Depreciation	13,614	136
Directors' remuneration (including benefits in kind)	84,634	48,346
Auditors' remuneration	5,875	3,000
Other services provided by auditors	11,274	5,787
	<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 period end there were corporation tax losses of approximately £275,000 (1994 - £71,400) 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 £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.

10. Intangible fixed assets

	Group		
	Consolidated goodwill	Purchased goodwill	Total
Cost			
At beginning of year	38,269	-	38,269
Additions	-	243,016	243,016
Adjustment to cost of purchase	(5,160)	-	(5,160)
	<hr/>	<hr/>	<hr/>
At end of year	33,109	243,016	276,125
	<hr/>	<hr/>	<hr/>
Amortisation			
At beginning of year	475	-	475
Charge for year	1,594	6,302	7,896
	<hr/>	<hr/>	<hr/>
At end of year	2,069	6,302	8,371
	<hr/>	<hr/>	<hr/>
Net book value			
At end of year	£31,040	£236,714	£267,754
	<hr/>	<hr/>	<hr/>
At beginning of year	£37,794	£-	£37,794
	<hr/>	<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1995

11. <u>Tangible fixed assets</u>	<u>Group</u>				<u>Company</u>
	<u>Leasehold improvements</u>	<u>Fixtures and fittings</u>	<u>Computers and office equipment</u>	<u>Total</u>	<u>Computers and office equipment</u>
Cost					
At beginning of year	-	-	7,374	7,374	7,374
Additions	46,711	128,240	29,977	204,928	-
Disposals	-	-	-	-	7,374
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	46,711	128,240	37,351	212,302	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	-	-	136	136	136
Charge for the year	584	8,635	4,395	13,614	-
Disposals	-	-	-	-	(136)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	584	8,635	4,531	13,750	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At end of year	£46,127	£119,605	£32,820	£198,552	£-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At beginning of year	£-	£-	£7,238	£7,238	£7,238
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
12. <u>Investments in subsidiary undertakings</u>				<u>Company 1995</u>	<u>Company 1994</u>
Cost					
At beginning of year				55,551	-
Additions				-	-
Adjustment to cost of purchase				(5,160)	55,551
				<hr/>	<hr/>
At end of year				£50,391	£55,551
				<hr/>	<hr/>

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

	<u>1995</u>	<u>1994</u>
K.L. Administration Limited	100%	100%
Canaryville Limited (Dormant)	100%	100%
Logicscope Marketing Limited (Dormant)	100%	100%

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

The trading subsidiary undertaking supplies services as dentists.

Included in fixed assets are assets held under finance leases (or similar hire purchase contracts) with a net book value of £88,360 (1994 - £-). Depreciation allocated to these assets during the year amounted to £8,299 (1994 - £-).

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1995

13. <u>Debtors</u>	<u>Group</u> <u>1995</u>	<u>Group</u> <u>1994</u>	<u>Company</u> <u>1995</u>	<u>Company</u> <u>1994</u>
Amounts falling due within one year:				
Trade debtors	13,500	-	-	-
Amounts due from subsidiary undertakings	-	-	427,290	-
Other debtors	20,566	9,494	4,566	926
Prepayment and accrued income	7,781	-	-	-
	<u>£41,847</u>	<u>£9,494</u>	<u>£431,856</u>	<u>£926</u>
14. <u>Creditors: amounts falling due within one year</u>	<u>Group</u> <u>1995</u>	<u>Group</u> <u>1994</u>	<u>Company</u> <u>1995</u>	<u>Company</u> <u>1994</u>
Obligations under finance leases and hire purchase contracts	33,084	-	-	-
Trade creditors	21,521	-	-	-
Other creditors	2,812	44,765	-	33,649
Deferred consideration	37,507	-	-	-
Amounts owed to subsidiary undertakings	-	-	-	20,856
Accruals and deferred income	95,085	18,204	8,087	17,085
	<u>£190,009</u>	<u>£62,969</u>	<u>£8,087</u>	<u>£71,590</u>
15. <u>Creditors: amounts falling due after more than one year</u>	<u>Group</u> <u>1995</u>	<u>Group</u> <u>1994</u>	<u>Company</u> <u>1995</u>	<u>Company</u> <u>1994</u>
Obligations under finance leases and hire purchase contracts	42,164	-	-	-
Deferred consideration	45,341	-	-	-
	<u>£87,505</u>	<u>£-</u>	<u>£-</u>	<u>£-</u>
16. <u>Called up share capital</u>			<u>1995</u>	<u>1994</u>
Authorised:				
100,000 'A' Ordinary shares of £1 each			100,000	100,000
5,170,000 'B' Ordinary shares of 10p each			517,000	517,000
500,000 Convertible Redeemable Preference shares of £1 each			500,000	500,000
			<u>£1,117,000</u>	<u>£1,117,000</u>

THE DENCARE MANAGEMENT GROUP PLC

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1995

16. Called up share capital - (continued)	1995	1994
Alotted, called-up and fully paid:		
100,000 'A' Ordinary shares of £1 each	100,000	100,000
411,636 'B' Ordinary shares of 10p each	41,164	29,300
20,500 Convertible Redeemable Preference shares of £1 each	20,500	20,500
	<hr/>	<hr/>
	£161,664	£149,800
	<hr/>	<hr/>

During the year the Company allotted 63,636 'B' Ordinary shares with a nominal value of £6,364 and at a premium of £63,636 in part consideration for the acquisition of a dental practice by its subsidiary K.L. Administration Limited. In addition the Company allotted 55,000 'B' Ordinary shares with a nominal value of £5,500 and at a premium of £49,500 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.

17. Share premium account	1995	1994
At beginning of year	260,577	-
Premium on allotments	113,136	263,700
Expenses of share issue	(4,499)	(3,123)
	<hr/>	<hr/>
At end of year	£369,214	£260,577
	<hr/>	<hr/>

18. Reconciliation of movements on shareholders' funds	Group 1995	Group 1994	Company 1995	Company 1994
(Loss)/profit for the financial year after taxation	(188,153)	(70,558)	17,895	(70,141)
Share capital subscribed	11,864	149,800	11,864	149,800
Share premium received	108,637	260,577	108,637	260,577
	<hr/>	<hr/>	<hr/>	<hr/>
	(67,652)	339,819	138,396	340,236
Shareholders' funds at beginning of year	339,819	-	340,236	-
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at end of year	£272,167	£339,819	£478,632	£340,236
	<hr/>	<hr/>	<hr/>	<hr/>

THE DENCARE MANAGEMENT GROUP PLC**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1995****19. Consolidated cash flow statement****(a) Reconciliation of operating profit to net cash (outflow) from operating activities**

	1995	1994
Operating (loss)	(187,200)	(73,780)
Depreciation	13,614	736
Goodwill written off	7,896	475
(Increase) in stocks	(7,000)	-
(Increase) in debtors	(32,353)	(9,494)
Increase in creditors	65,126	34,034

Net cash (outflow) from operating activities	£(139,917)	£(48,629)
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(b) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings

	1995	1994
Cash consideration paid	19,525	30,866
Cash at bank acquired	-	(21,532)

Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	£19,525	£9,334
--	----------------	---------------

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

	1995	1994
Balance at beginning of year	348,262	-
Net cash (outflow)/inflow	(313,734)	348,262

Balance at end of year	£34,528	£348,262
-------------------------------	----------------	-----------------

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

	1995	1994
Cash at bank and in hand	£34,528	£348,262

20. Guarantees and other financial commitments**Lease commitments**

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

Operating leases which expire:-

After 5 years

Property**£31,000****21. Contingent liability**

On 18th August 1995, W.A.C. Fielding resigned as a director of the Company. Since that date the Company has received a claim for wrongful dismissal which the Company will vigorously contest. No provision has been made in these accounts in respect of this claim.

THE DENCARE MANAGEMENT GROUP PLC**NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31ST MARCH 1995****22. Post balance sheet events**

On 23rd May 1995, the Company issued by way of a Rights Issue a further 50,000 'A' Ordinary Shares of £1, 191,500 'B' Ordinary Shares of 10p and 9,000 Convertible Redemable Preference Shares of £1 each for £50,000, £191,500 and £9,000 respectively.

On 5th June, the Group acquired the business and assets of another dental practice for a total consideration of £101,600. Additional amounts may become payable dependent upon the future performance of the practice and are secured against the practice goodwill.