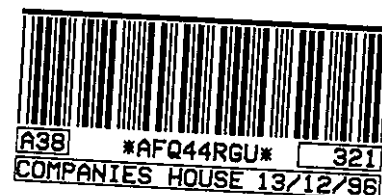


**Healthcall Optical Services
(Manchester) Limited**

Directors' report and financial statements

**For the period since incorporation on 22 May 1995
until 31 May 1996**

Registered number 3061665



Healthcall Optical Services (Manchester) Limited

Directors' report and financial statements

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Healthcall Optical Services (Manchester) Limited

Directors' report

The directors have pleasure in submitting their first report and the audited financial statements for the period since incorporation on 22 May 1995 until 31 May 1996.

Principal activity

With effect from 31 May 1995, the company acquired certain assets and the optical domiciliary visiting business of both Maudsley's Ophthalmic Opticians and the Manchester branch of Healthcall Services Limited for a consideration of £199,998 satisfied by the issue of £1 ordinary shares in the company.

Review of business and results for the period

The results for the period are shown in the profit and loss account on page 5.

Dividends

A dividend of £136,000 was proposed in the period.

Directors and directors' interests

The directors who served during the period were as follows:

Hallmark Registrars Limited	(appointed and resigned 22 May 1995)
ME Maudsley	(appointed 22 May 1995)
MC Maudsley	(appointed 22 May 1995)
MD Henchey	(appointed 22 May 1995)
NP Howard	(appointed 22 May 1995)
A Craig	(appointed 22 May 1995, resigned 28 July 1995)
M Dummer	(appointed 6 September 1995)
P Bell	(appointed 23 June 1995)

Except as referred to below, no director had any interest in the shares of the company or any group undertaking at any time during the period.

As at 31 May 1996, directors holding interests in the shares of the company were as follows:

Ordinary shares of £1

ME Maudsley	25,000
MC Maudsley	25,000
	<hr/>

Healthcall Optical Services (Manchester) Limited

Directors' report *(continued)*

Directors and directors' interests

As at 31 May 1996, the directors' interests in the shares of group companies was as follows:

	Healthcall Group PLC	
	Share options	Ordinary shares of £1
M Dummer	63,619	102,300
P Bell	<u>36,571</u>	<u>15,000</u>

MD Henchey and NP Howard are directors of the ultimate parent undertaking, Healthcall Group PLC and their interests in the shares of that company are shown in the financial statements of that company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.


Healthcall Optical Services (Manchester) Limited

Directors' report *(continued)*

Statement of directors' responsibilities *(continued)*

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Approved by the board of directors and signed on its behalf by:



M Rushton
Secretary

401 South Row
Central Milton Keynes
MK9 2PH

27 September 1996



2 Cornwall Street
Birmingham B3 2DL

Auditors' report to the members of Healthcall Optical Services (Manchester) Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on pages 2 and 3, 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 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 May 1996 and of its profit for the period from the date of incorporation, 22 May 1995, to 31 May 1996 and have been properly prepared in accordance with the Companies Act 1985.

KPMG

27 September 1996

KPMG
Chartered Accountants
Registered Auditors

27 September 1996



Healthcall Optical Services (Manchester) Limited

Profit and loss account for the period ended 31 May 1996

	<i>Note</i>	£
Turnover	2	822,313
Cost of sales		(472,460)
		<hr/>
Gross profit		349,853
Administrative expenses		(110,357)
		<hr/>
Operating profit	4	239,496
Net interest payable	6	(6,352)
		<hr/>
Profit on ordinary activities before taxation		233,144
Tax on profit on ordinary activities	7	(78,846)
		<hr/>
Profit on ordinary activities after taxation		154,298
Dividends proposed		(136,000)
		<hr/>
Retained profit for the financial period	14	18,298
		<hr/>

The results above all relate to acquisitions and continuing operations.

A reconciliation of the movements in shareholders' funds is shown in note 17 to the financial statements.

There are no recognised gains or losses other than those shown in the profit and loss account.

Healthcall Optical Services (Manchester) Limited

Balance sheet

at 31 May 1996

	<i>Note</i>	£
Fixed assets		
Tangible fixed assets	8	49,120
		<hr/>
Current assets		
Stocks	9	1,259
Debtors	10	194,382
Cash at bank and in hand		35,728
		<hr/>
		231,369
Creditors: Amounts falling due within one year	11	(244,193)
		<hr/>
Net current liabilities		(12,824)
		<hr/>
Net assets		36,296
		<hr/>
Capital and reserves		
Called up share capital	12	200,000
Goodwill write off reserve	13	(163,802)
Profit and loss account	14	98
		<hr/>
		36,296
		<hr/>

The financial statements were approved by the board of directors on 27 September 1996 and signed on its behalf by:



MD Henchey
Director

Healthcall Optical Services (Manchester) Limited

Cash flow statement

for the period ended 31 May 1996

	Note	£	£
Net cash inflow from operating activities	16a		90,934
Investing activities			
Purchase of fixed assets		(75,475)	
Receipts from sale of fixed assets		20,267	
Net cash outflow from investing activities			(55,208)
Net cash inflow before financing			35,726
Financing			
Issue of ordinary share capital, being net cash inflow from financing			2
Net cash inflow after financing, being increase in cash and cash equivalent	16b		35,728

Healthcall Optical Services (Manchester) Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

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

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Operating leases

Rentals under operating leases are charged to the profit and loss account as they fall due.

Goodwill

Purchased goodwill is written off directly to reserves.

Tangible fixed assets

Fixed assets are stated at cost to the company and reduced by depreciation which is provided on a straight line basis to write off assets to their estimated residual value over their expected useful lives from the date they are brought into use. The average lives for each major asset category are:

Motor vehicles	- 2-3 years
Fixtures, fittings and computer equipment	- 3 and 7 years

2 Turnover

Turnover represents sales of goods and services exclusive of value added tax, to third party customers during the period. All the turnover is applicable to the UK market.

Healthcall Optical Services (Manchester) Limited

Notes (continued)

3 Staff numbers and costs

The average number of persons employed by the company, excluding directors, during the period was as follows:

	Number of employees
Office and management	5
Operational	11
	<hr/>
	16
	<hr/>

The aggregate payroll costs of these persons were as follows:

	£
Wages and salaries	181,831
Social security costs	15,371
	<hr/>
	197,202
	<hr/>

4 Operating profit

Operating profit is stated

after charging

	£
Depreciation	24,774
Auditors' remuneration - audit services	3,250
	<hr/>

Auditors' remuneration in respect of other services amounted to £1,100.

5 Directors' emoluments

None of the directors received any emoluments during the period.

6 Net interest payable

	£
Interest payable to holding company	6,352
	<hr/>

Healthcall Optical Services (Manchester) Limited

Notes (continued)

7 Tax on profit on ordinary activities

	£
Based on the profit on ordinary activities for the period:	
Corporation tax payable at 33%	<u>78,846</u>

8 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Total £
Cost			
Additions	29,231	64,240	93,471
Disposals	-	(25,569)	(25,569)
	<u>29,231</u>	<u>38,671</u>	<u>67,902</u>
At end of period	29,231	38,671	67,902
Depreciation			
Charge for year	6,430	18,344	24,774
Disposals	-	(5,992)	(5,992)
	<u>6,430</u>	<u>12,352</u>	<u>18,782</u>
At end of period	6,430	12,352	18,782
Net book value			
At 31 May 1996	<u>22,801</u>	<u>26,319</u>	<u>49,120</u>

9 Stocks

	£
Finished goods	<u>1,259</u>

10 Debtors

	£
Trade debtors	140,126
Amounts owed by parent and fellow subsidiary undertakings	40,932
Other debtors	13,324
	<u>194,382</u>

Included in other debtors is advance corporation tax of £8,500.

Healthcall Optical Services (Manchester) Limited

Notes (continued)

11 Creditors: Amounts falling due within one year

	£
Trade creditors	11,384
Other creditors, including taxation and social security	87,346
Accruals and deferred income	9,463
Proposed dividend	136,000
	<hr/>
	244,193
	<hr/>
Other creditors including taxation and social security comprises:	
Corporation tax	78,846
Advanced corporation tax	8,500
	<hr/>
	87,346
	<hr/>

12 Called up share capital

	£
<i>Authorised:</i>	
Ordinary shares of £1 each	200,000
	<hr/>
<i>Allotted, called up and fully paid:</i>	
Ordinary shares of £1 each	200,000
	<hr/>

The company was incorporated with an authorised share capital of £200,000 and allotted called up and fully paid share capital of £2. On 31 May 1995, the issued share capital was increased to £200,000 in order to fund the acquisition of the domiciliary visiting business of Maudsley's Ophthalmic Opticians, and the Manchester branch of Healthcall Services Limited.

The impact of the acquisition is summarised as follows:

	Book and fair values £
Tangible fixed assets	17,996
Goodwill	182,002
	<hr/>
Cost of acquisition satisfied by the issue of shares	199,998
	<hr/>

Healthcall Optical Services (Manchester) Limited

Notes (continued)

13 Goodwill write off reserve

The goodwill arose on the acquisition detailed in note 12.

	£
Arising on acquisition	182,002
Transfer to profit and loss reserve	(18,200)
	<hr/>
Balance at the end of the period	163,802
	<hr/>

Goodwill is estimated by the directors to have a useful economic life of ten years and is being transferred to profit and loss reserves over that period.

14 Profit and loss reserves

	£
Retained profit for the period	18,298
Transfer from goodwill write off reserve (note 12)	(18,200)
	<hr/>
Balance	98
	<hr/>

15 Obligations under operating leases

At 31 May 1996, the company had no annual commitments under non-cancellable operating leases.

16 Cash flow statement notes

(a) Reconciliation of operating profit to net cash inflow from operating activities

	£
Operating profit	233,144
Depreciation charge	24,774
Profit on disposal of tangible fixed assets	(690)
Increase in stocks	(1,259)
Increase in debtors	(185,882)
Increase in creditors	20,847
	<hr/>
Net cash inflow from operating activities	90,934
	<hr/>

(b) Analysis of cash and cash equivalents

	£
Cash in hand	
Movement in and at end of period	35,728
	<hr/>

Healthcall Optical Services (Manchester) Limited

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	£
Profit for the financial period	154,298
Dividends	(136,000)
Issue of shares	200,000
Goodwill written off in the period	(182,002)
	<hr/>
Shareholders' funds at the end of the period	36,296
	<hr/>

18 Ultimate parent undertaking

The company's ultimate parent undertaking is Healthcall Group PLC, a company incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of Healthcall Group PLC can be obtained from its registered office at 401 South Row, Central Milton Keynes, MK9 2PH.