

**BULLEN HEALTHCARE
GROUP LIMITED**

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 MARCH 1997



Company No: 3137456

BULLEN HEALTHCARE GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

Company registration number: 3137456

Registered office: 1st Floor
Royal Liver Building
Liverpool
L3 1PS

Directors: P F Bullen
N F Bullen
P Hawthorne

Secretary: P Griffin

Bankers: Midland Bank plc

Solicitors: Mace & Jones, Grundy Kershaw

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
1st Floor
Royal Liver Building
Liverpool
L3 1PS

BULLEN HEALTH CARE GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

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BULLEN HEALTHCARE GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the period ended 31 March 1997

Principal activities

The company was formed on 13 December 1995. On the same day, the company formed Bullens International Healthcare (Ireland) Limited, which operates in Eire. On 1 April 1996, the company acquired Charles S Bullen Orthotics Limited, and restructured the trading activities by transferring the Stomacare and International trades, assets and liabilities to Charles S Bullen Stomacare Limited and Bullens International Healthcare Limited, respectively.

The company and the group are principally engaged as manufacturers, factors and retailers of surgical appliances and surgical footwear and as retailers of ladies corsetry.

Business review

The loss for the period after taxation amounted to £265,041. The directors do not recommend payment of a dividend, and the loss has been deducted from reserves.

Directors

The directors in office at the end of the period are listed below. P Hawthorne and C I Hodgkinson were appointed on 13 December 1995, P F Bullen and N F Bullen were appointed on 1 April 1996. C I Hodgkinson resigned on 1 April 1996.

The interests of the directors in the shares of the company and its subsidiaries at 31 March 1997 and at the date of their appointment, as recorded in the registers maintained by the companies in accordance with the provisions of the Companies Act 1985, were as follows:

	The Company Ordinary Shares 1997
P F Bullen	2
N F Bullen	-
P Hawthorne	-
C I Hodgkinson (resigned 1 April 1996)	-

No director had, during or at the end of the period, any material interest in the shares of the subsidiary undertakings.

The shares held by P F Bullen are held on behalf of all the former shareholders in Charles S Bullen Orthotics Limited, in the same ratio as their prior holdings in that company.

BULLEN HEALTHCARE GROUP LIMITED

REPORT OF THE DIRECTORS

Directors (continued)

On 30 June 1997, the shareholding of P F Bullen, held on behalf of the former shareholders of Charles S Bullen Orthotics Limited, was allocated as follows:

	£1 Ordinary shares
P F Bullen	36,366
G N Bullen	12,271
N E Meadows	1,363

Subsequent to the year end, the authorised share capital of the company has been increased to £61,605. In January 1998, P Hawthorne has been offered 5,550 £1 Ordinary shares at par.

Directors' responsibilities for the financial statements

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 group and the company and of the profit or loss of the group 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.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Land and buildings

On 31 March 1997, freehold land and buildings owned by Charles S Bullen Orthotics Limited were revalued. The surplus of £103,594 arising from the revaluation has been incorporated in the financial statements.

Post balance sheet events

On 27 May 1997, the Merseyside Special Investment Fund offered additional finance of £200,000 in the form of a secured loan with the option to acquire an equity interest of up to 10% of the enlarged equity of the company. The company received the funds on 7 July 1997, after increasing authorised share capital to £55,500.

Subsequent to the year end, on 30 June 1997, the company acquired the freehold property and the dormant subsidiary companies of a subsidiary, Charles S Bullen Orthotics Limited, for their book amounts.

BULLEN HEALTHCARE GROUP LIMITED

REPORT OF THE DIRECTORS

Post balance sheet events (continued)

On 9 June 1997, Bullens International (Northern Ireland) Limited was formed to acquire the Northern Ireland Orthotic trading activities of Remploy Limited.

On 30 June 1997, after the authorised share capital of the company had been increased to £50,000 the share premium account of £49,998 was converted to 49,998 £1 Ordinary shares and issued to the former shareholders of Charles S Bullen Orthotics Limited, in the same ratio as their prior holdings in that company.

On 7 October 1997, the group's pension fund made an additional loan of £200,000 to the Bullen Healthcare Group Limited.

On 19 August 1997, Charles S Bullen Stomacare Limited, sold its Blackpool branch as part of the continuing rationalisation of the group activities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



P F Bullen
Director
23 January 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BULLEN HEALTHCARE GROUP LIMITED**

We have audited the financial statements on pages 5 to 25 which have been prepared under the accounting policies set out on pages 5 and 6.

Respective responsibilities of directors and auditors

As described on page 2, the 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.

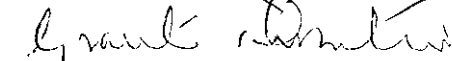
Basis of opinion

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 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 the affairs of the group and company at 31 March 1997 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LIVERPOOL
23 January 1998**

BULLEN HEALTHCARE GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention except that certain freehold properties are shown at their revalued amounts.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiaries (see note 10). The financial statements of each company in the group have been prepared to 31 March 1997. All intra-group profits are eliminated on consolidation.

Goodwill arising on consolidation representing the excess of the fair value of the consideration given over the fair value of the net assets of subsidiaries at the date of acquisition is eliminated from the financial statements by immediate write off on acquisition against reserves.

Turnover

Turnover is the total amount receivable by the group in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated so as to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives.

The annual rates generally applicable are:

Freehold buildings	2% straight line
Plant, equipment, fixtures and fittings	15% reducing balance
Motor vehicles	25% reducing balance
Computers	25% straight line
Nimbus and Karomed beds	50% straight line

Investments

Investments are included at cost less amounts written off.

Intangible assets

Goodwill which is not eliminated from the financial statements by immediate write off on acquisition is amortised on a straight line basis over its estimated useful economic life.

BULLEN HEALTHCARE GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value.

Deferred tax

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is calculated at the rates at which it is estimated that the tax will be paid when the timing differences reverse.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

All other exchange differences are dealt with through the profit and loss account

Contributions to pension schemes

The company makes contributions to defined contribution schemes for certain directors and employees and the pension costs charged against profits represent the amount of contributions payable in respect of the accounting period.

Leased assets

Assets held under finance leases and hire purchase agreements are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight-line basis over the lease term

BULLEN HEALTHCARE GROUP LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE PERIOD ENDED 31 MARCH 1997**

	Note	1997 £
Turnover	2	7,006,701
Cost of sales		<u>(4,662,449)</u>
Gross profit		2,344,252
Distribution costs		(54,489)
Administrative expenses		<u>(2,125,354)</u>
Operating profit		164,409
Cost of fundamental reorganisation	3	(297,325)
Interest payable and similar charges	4	<u>(132,125)</u>
Loss on ordinary activities before taxation	2	(265,041)
Tax on loss on ordinary activities	6	-
Loss for the financial period	16	<u><u>(265,041)</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

BULLEN HEALTHCARE GROUP LIMITED

CONSOLIDATED BALANCE SHEET AT 31 MARCH 1997

	Note	£	1997 £
Fixed assets			
Intangible assets	8		47,252
Tangible assets	9		370,360
Current assets			
Stocks	11	685,749	
Debtors	12	1,046,100	
Cash at bank and in hand		<u>84,518</u>	
		1,816,367	
Creditors: amounts falling due within one year	13	<u>2,266,515</u>	
Net current liabilities			<u>(450,148)</u>
Total assets less current liabilities			(32,536)
Creditors: amounts falling due after more than one year	14		<u>(270,535)</u>
			<u><u>(303,071)</u></u>
Capital and reserves			
Called up share capital	15		2
Revaluation reserve	16		107,889
Capital reserve	16		101,264
Share premium account	16		49,998
Profit and loss account	16		<u>(562,224)</u>
Shareholders' funds	17		<u><u>(303,071)</u></u>

The financial statements were approved by the Board of Directors on 23 January 1998.

P F Bullen



Directors

P Hawthorne



The accompanying accounting policies and notes form an integral part of these financial statements.

BULLEN HEALTHCARE GROUP LIMITED

BALANCE SHEET AT 31 MARCH 1997

	Note	£	1997 £
Fixed assets			
Intangible assets	8		47,252
Tangible assets	9		145,328
Investments	10		<u>50,004</u>
			242,584
Current assets			
Stocks	11	75,632	
Debtors	12	816,839	
Cash at bank and in hand		<u>650</u>	
		893,121	
Creditors: amounts falling due within one year	13	<u>1,337,050</u>	
Net current liabilities			<u>(443,929)</u>
Total assets less current liabilities			(201,345)
Creditors: amounts falling due after more than one year	14		<u>(273,246)</u>
			<u>(474,591)</u>
Capital and reserves			
Called up share capital	15		2
Capital reserve	16		7,000
Share premium account	16		49,998
Profit and loss account	16		<u>(531,591)</u>
Shareholders' funds	17		<u>(474,591)</u>

The financial statements were approved by the Board of Directors on 23 January 1998.

P F Bullen



Directors

P Hawthorne



The accompanying accounting policies and notes form an integral part of these financial statements.

BULLEN HEALTHCARE GROUP LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE PERIOD ENDED 31 MARCH 1997

	Note	£	1997 £
Net cash inflow from operating activities	18		796,802
Returns on investments and servicing of finance			
Interest paid		127,340	
Finance lease interest paid		<u>4,785</u>	
Net cash outflow from returns on investments and servicing of finance			(132,125)
Taxation			41,285
Capital expenditure			
Purchase of intangible fixed assets		(16,500)	
Purchase of tangible fixed assets		(69,359)	
Sale of tangible fixed assets		<u>44,738</u>	
Net cash outflow from capital expenditure and financial investment			(41,121)
Acquisitions and disposals			
Net overdraft on purchase of business			(847,931)
Financing			
Receipts from borrowing		101,583	
Repayment of borrowing		(304,462)	
Capital element of finance lease rentals		<u>(3,954)</u>	
Net cash outflow from financing			(206,833)
Decrease in cash	19		<u><u>(389,923)</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

BULLEN HEALTHCARE GROUP LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE PERIOD ENDED 31 MARCH 1997

	1997
The Group	£
Loss for the financial period	(265,041)
Unrealised surplus on revaluation of land and buildings	107,889
Total recognised gains and losses for the period	<u><u>157,152</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

1 BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis.

At 31 March 1997, the group has a deficit on reserves of £303,071.

The directors have obtained continued financial support from their bankers and the Merseyside Special Investment Fund.

Since 1 April 1997, the group has traded profitably at an operating level. The directors have also reviewed the business with a view to a disposal of any excess assets to reduce their overall debt and interest charges.

In the light of the factors described above, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and loss before taxation is attributable to one activity, which is carried on in a single geographical market.

Loss on ordinary activities is stated after:

	1997 £
Auditors' remuneration:	
- audit fees	16,000
- non audit fees	29,487
Depreciation:	
- owned assets	39,996
- assets on hire purchase and finance lease contracts	20,731
Other operating lease rentals	<u>85,487</u>

3 EXCEPTIONAL ITEM

	1997 £
Cost of fundamental reorganisation	<u>297,325</u>

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

4 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £
On bank loans and overdrafts	94,209
Hire purchase interest	4,785
Other loan interest	33,131
	<u>132,125</u>

5 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	1997 £
Wages and salaries	957,858
Social security	96,434
Other pension costs	11,363
	<u>1,065,655</u>

	Number
Average number of employees	
Production	84
Administration	46
	<u>130</u>

Remuneration in respect of directors was as follows:

	1997 £
Emoluments	190,617
Contributions to money purchase pension schemes	11,363
	<u>201,980</u>

During the period three directors participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows.

	1997 £
Emoluments	<u>60,000</u>

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

DIRECTORS AND EMPLOYEES (CONTINUED)

Contributions to pension schemes

The group makes contributions to defined contribution schemes for the benefit of the directors and employees. The costs of contributions are charged to the profit and loss account as they are incurred.

6 TAX ON LOSS ON ORDINARY ACTIVITIES

Unrelieved tax losses of £1,473,000 (the company: £761,000) remain available to offset against future taxable trading profits.

7 LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985, and has not included its own profit and loss account in these financial statements. £(234,408) of the group loss for the period is dealt with in the financial statements of the parent company.

8 INTANGIBLE FIXED ASSETS

	1997 £
Goodwill	
Cost	
Transfer from related undertaking	55,575
Additions in the period	16,500
At 31 March 1997	<u>72,075</u>
Amortisation	
Transfer from related undertaking	16,325
Charge for the period	8,498
At 31 March 1997	<u>24,823</u>
Net book amount at 31 March 1997	<u>47,252</u>

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

9

TANGIBLE FIXED ASSETS

The Group

	Total £	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Computers £	Nimbus & Karomed Beds £
Cost							
Transferred from related undertakings	689,377	121,358	127,161	155,481	126,883	34,423	124,071
Additions	76,929	16,650	20,678	8,295	7,570	1,724	22,012
Revaluation	107,889	103,594	3,400	895	-	-	-
Disposals	(74,860)	(12,374)	-	-	(62,486)	-	-
Transfer between categories	-	-	124,072	-	-	-	(124,072)
At 31 March 1997	<u>799,335</u>	<u>229,228</u>	<u>275,311</u>	<u>164,671</u>	<u>71,967</u>	<u>36,147</u>	<u>22,011</u>
Depreciation							
Transferred from related undertakings	410,033	26,134	99,749	88,073	73,937	30,021	92,119
Charge for period	60,727	3,094	7,724	11,342	14,151	3,545	21,871
Released on disposal	(41,785)	-	-	-	(41,785)	-	-
Transfer between categories	-	-	109,815	-	-	-	(109,815)
At 31 March 1997	<u>428,975</u>	<u>29,228</u>	<u>217,288</u>	<u>99,415</u>	<u>45,303</u>	<u>33,566</u>	<u>4,175</u>
Net book amount at 31 March 1997	<u>370,360</u>	<u>200,000</u>	<u>58,023</u>	<u>65,256</u>	<u>26,664</u>	<u>2,581</u>	<u>17,836</u>

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

TANGIBLE FIXED ASSETS (CONTINUED)

The Company

	Total £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Computers £	Nimbus & Karomed Beds £
Cost						
Transferred from related undertakings	568,019	127,161	155,481	126,883	34,423	124,071
Additions	53,584	20,678	1,600	7,570	1,724	22,012
Disposals	(62,486)	-	-	(62,486)	-	-
Transfers to group undertakings	(129,217)	-	-	-	(5,145)	(124,072)
At 31 March 1997	429,900	147,839	157,081	71,967	31,002	22,011
Depreciation						
Transferred from related undertakings	383,899	99,749	88,073	73,937	30,021	92,119
Charge for period	56,132	7,214	10,351	13,151	3,545	21,871
Released on disposal	(41,785)	-	-	(41,785)	-	-
Transfers to group undertakings	(113,674)	-	-	-	(3,859)	(109,815)
At 31 March 1997	284,572	106,963	98,424	45,303	29,707	4,175
Net book amount at 31 March 1997	145,328	40,876	58,657	26,664	1,295	17,836

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

TANGIBLE FIXED ASSETS (CONTINUED)

The figures stated above include assets held under finance leases and hire purchase contracts, as follows:

The Group and the Company	Motor vehicle £
Net book amount at 31 March 1997	<u>35,069</u>
Depreciation charge for period	<u>20,731</u>

On 31 March 1997, all freehold land and buildings were revalued by Thomson & Moulton, Chartered Surveyors. The basis of the valuation is open market value. The surplus arising has been transferred to the revaluation reserve.

If freehold land and buildings had not been revalued, they would have been included on the historical cost basis at £96,406 at 31 March 1997.

10 INVESTMENTS

	1997 £
Acquired during the period and at 31 March 1997	<u>50,004</u>

At 31 March 1997, the company held 20% or more of the allotted share capital of the following:

Subsidiary	Country of Registration	Nature of business	Class	Amount Issued £	% owned by holding company
Charles S Bullen Orthotics Limited	England and Wales	Orthotics	Ordinary	50,000	100%
Charles S Bullen Stomacare Limited	England and Wales	Stomacare	Ordinary	2	100%
Bullen International Healthcare Limited	England and Wales	Medical supplies	Ordinary	2	100%
Bullen International Healthcare (Ireland) Limited	Ireland	Medical supplies	Ordinary	100	99%

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

11 STOCKS

	The Group 1997 £	The Company 1997 £
Raw materials and consumable stores	483,060	75,632
Work in progress	202,689	-
	<u>685,749</u>	<u>75,632</u>

12 DEBTORS

	£	The Group 1997 £	The Company 1997 £
Trade debtors factored without recourse	1,254,629		
Less: Non-returnable proceeds	<u>(705,274)</u>	549,355	-
Trade debtors		118,445	14,119
Amounts due from related undertakings		-	585,535
Other debtors		285,830	184,142
Prepayments and accrued income		92,470	33,043
		<u>1,046,100</u>	<u>816,839</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 1997 £	The Company 1997 £
Bank overdraft	474,441	435,121
Bank and other loans (note 14)	53,207	53,207
Trade creditors	787,783	135,437
Loan notes (note 14)	53,877	53,877
Amounts due to related undertakings	-	157,374
Social security and other taxes	731,114	401,605
Hire purchase agreements (note 14)	8,564	2,390
Other creditors	70,909	49,970
Accruals and deferred income	86,620	48,069
	<u>2,266,515</u>	<u>1,337,050</u>

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group 1997 £	The Company 1997 £
Bank and other loans	267,945	257,945
Hire purchase agreements	2,590	2,590
Amounts due to group undertakings	-	12,711
	<u>270,535</u>	<u>273,246</u>

The bank loans are secured by way of a first legal charge over the freehold land and buildings of the company

The bank overdraft is secured by a fixed charge over book debts and a floating charge over all remaining assets.

The bank loan is repayable in monthly instalments of £1,876.

The borrowings are repayable as follows:

	The Group 1997 £	The Company 1997 £
Within one year:		
Bank loan	22,517	22,517
Hire purchase agreements	8,564	2,390
Other loans	30,690	30,690
Loan notes	53,877	53,877
Between one and two years:		
Bank loan	22,517	22,517
Hire purchase agreements	2,590	2,590
Other loans	43,820	33,820
Between two and five years:		
Bank loan	81,188	81,188
Other loans	120,420	120,420
	<u>386,183</u>	<u>370,009</u>

15 SHARE CAPITAL

	1997 £
Authorised	
2 Ordinary shares of £1 each	<u>2</u>
Allotted called up and fully paid	
2 Ordinary shares of £1 each	<u>2</u>

Subsequent to the year end, authorised share capital was increased to £61,605 being 55,550 £1 Ordinary shares and 6,055 £1 'A' Ordinary shares.

BULLEN HEALTHCARE GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 1997

16 RESERVES**The Group**

	Share premium £	Capital reserve £	Revaluation reserve £	Profit and loss account £	Total £
Loss for the financial period	-	-	-	(265,041)	(265,041)
Surplus on revaluation of assets	-	-	107,889	-	107,889
Goodwill written off on acquisition of subsidiary	-	-	-	(297,183)	(297,183)
Negative goodwill on acquisition of a trade	-	7,000	-	-	7,000
Capital reserve arising on consolidation	-	94,264	-	-	94,264
Premium on issue of shares	49,998	-	-	-	49,998
At 31 March 1997	<u>49,998</u>	<u>101,264</u>	<u>107,889</u>	<u>(562,224)</u>	<u>(303,073)</u>

The Company

	Share premium £	Capital reserve £	Profit and loss account £	Total £
Loss for the financial period	-	-	(531,591)	(531,591)
Negative goodwill on acquisition of a trade	-	7,000	-	7,000
Premium on issue of shares	49,998	-	-	49,998
At 31 March 1997	<u>49,998</u>	<u>7,000</u>	<u>(531,591)</u>	<u>(474,593)</u>

The balance on the revaluation reserve may not be distributed legally under Section 264 of the Companies Act 1985.

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

The Group

	1997 £
Loss for the financial period	(265,041)
Surplus on revaluation of assets	107,889
Goodwill written off to reserves on acquisition of subsidiary	(297,183)
Negative goodwill on acquisition of a trade	7,000
Capital reserve arising on consolidation	94,264
Net decrease in shareholders' funds'	(353,071)
Issue of share capital including share premium	50,000
Shareholders' funds at 31 March 1997	<u>(303,071)</u>

The Company

	1997 £
Loss for the financial period	(531,591)
Negative goodwill on acquisition of a trade	7,000
Net decrease in shareholders' funds'	(524,591)
Issue of share capital including share premium	50,000
Shareholders' funds at 31 March 1997	<u>(474,591)</u>

18 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £
Operating profit	164,409
Depreciation and amortisation	69,225
Profits on sale of fixed assets	(11,663)
Decrease in stock	150,458
Decrease in debtors	288,750
Increase in creditors	432,948
	<u>1,094,127</u>
Net cash outflow in respect of reorganisation costs	(297,325)
Net cash inflow from operating activities	<u>796,802</u>

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1996 £
Decrease in cash in the period	(389,923)
Cash outflow from financing	202,879
Cash outflow from finance leases	3,954
Change in net debt resulting from cash flows	(183,090)
Inception of finance leases	(7,570)
Transfer of loans and finance leases from related undertaking	(585,446)
Movements in net debt in the period and balance at 31 March 1997	<u>(776,106)</u>

20 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1996 £	Cash flows £	Acquisition (excluding cash and overdrafts £	Non-cash items £	At 31 March 1997 £
Cash at bank and in hand	-	84,518	-	-	84,518
Overdraft	-	(474,441)	-	-	(474,441)
	-	(389,923)	-	-	(389,923)
Debt due within one year	-	202,879	(577,908)	-	(375,029)
Finance leases	-	3,954	(7,538)	(7,570)	(11,154)
	-	(183,090)	(585,446)	(7,570)	<u>(776,106)</u>

21 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 £7,570.

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

22 PURCHASE OF TRADE ASSETS AND LIABILITIES

The assets and liabilities arising from the acquisition of Charles S Bullen Orthotics Limited and its Subsidiaries and Bullens International Healthcare (Ireland) Limited in the period, are listed below. The companies were acquired for non cash consideration in the form of a share for share exchange.

	1997 £
Intangible fixed assets	39,250
Tangible fixed assets	279,344
Investments	10,566
Stock	836,207
Debtors	1,376,135
Cash at bank and in hand	1,380
Creditors	(1,243,478)
Bank overdraft	(847,931)
Loans	(577,908)
Finance leases	(7,538)
	<u>(133,973)</u>
Goodwill net of discount on purchase	183,973
Net liabilities assumed	<u>50,000</u>
 Satisfied by:	
Shares issued (including premium)	<u>50,000</u>

23 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 1997.

24 CONTINGENT LIABILITIES

The company, in common with all other companies in the group is subject to an unlimited cross guarantee in respect of all liabilities due to the Midland Bank plc. At 31 March 1997, this company was the only company in the group with an overdraft.

25 TRANSACTIONS WITH DIRECTORS

The company is indebted to the directors at the period end. Their current accounts did not go overdrawn during the period.

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

26 PENSIONS

Defined contribution scheme

The group operates a defined contribution scheme for the benefit of the employees and directors. The assets of the scheme are administered by Trustees in a fund independent from those of the group.

27 LEASING COMMITMENTS

Operating lease payments amounting to £73,906 are due within one year. The leases to which these relate expire as follows:

The Group and the Company

	Other 1997 £
In one year or less	11,627
Between one and five years	59,424
In five years or more	2,855
	<u>73,906</u>

28 POST BALANCE SHEET EVENTS

On 27 May 1997, the Merseyside Special Investment Fund offered additional finance of £200,000 in the form of a secured loan with the option to acquire an equity interest of up to 10% of the enlarged equity of the company. The company received the funds on 7 July 1997, after increasing authorised share capital to £55,500.

Subsequent to the year end, on 30 June 1997, the company acquired the freehold property and the dormant subsidiary companies of a subsidiary, Charles S Bullen Orthotics Limited, for their book amounts.

On 9 June 1997, Bullens International (Northern Ireland) Limited was formed to acquire the Northern Ireland Orthotic trading activities of Remploy Limited.

On 30 June 1997, after the authorised share capital of the company had been increased to £50,000 the share premium account of £49,998 was converted to 49,998 £1 Ordinary shares and issued to the former shareholders of Charles S Bullen Orthotics Limited, in the same ratio as their prior holdings in that company.

On 7 October 1997, the group's pension fund made an additional loan of £200,000 to the Bullen Healthcare Group Limited.

On 19 August 1997, Charles S Bullen Stomacare Limited, sold its Blackpool branch as part of the continuing rationalisation of the group activities.

BULLEN HEALTHCARE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 1997

29 TRANSACTIONS WITH RELATED PARTIES

The following transactions took place between members of the group.

With the parent company.

	Recharge of management expenses £	Amount outstanding at 31.3.1997 £
Charles S Bullen Orthotics Limited	226,188	247,289
Charles S Bullen Stomacare Limited	295,407	(157,374)
Bullens International Healthcare Limited	149,652	196,786
Bullens International Healthcare (Ireland) Limited	-	-
	<u>671,247</u>	<u>286,701</u>

The group operates a central banking facility and therefore all funds received by individual companies within the group are aggregated by the bank when reviewing the overdraft facility.

On the acquisition of Charles S Bullen Orthotics Limited, trade, assets and liabilities were transferred at their net book amount from this company to other members of the group, as follows:

	Charles S Bullen Stomacare Limited £	Bullens International Healthcare Limited £	Bullen Healthcare Group Limited £
Fixed assets	-	14,525	248,710
Investments	-	-	8,566
Debtors	422,159	327,610	200,150
Stock	332,688	50,583	112,283
Creditors	(375,918)	(102,359)	(1,068,084)
Cash	250	50	(458,360)
	<u>379,179</u>	<u>290,409</u>	<u>(956,735)</u>