

MEDIHEALTH PLC

Annual report and financial statements

Period ended 31 March 1996



MEDIHEALTH PLC

Annual report and financial statements for the period ended 31 March 1996

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Directors

W. Gerard (Chairman)
M Retter
K. Deakin
T. Lawrence
S Bridgens (appointed 5 January 1997)
M Davies (appointed 5 January 1997)

Secretary

M. Retter

Registered office

Medihealth House
10 Bourne Court
Woodford Avenue
Woodford Green
Essex IG8 8HD

Registered number

3089989

Auditors

BDO Stoy Hayward
Peter House
St. Peter's Square
Manchester M1 5BH

MEDIHEALTH PLC

Report of the directors for the period ended 31 March 1996

The directors submit their report together with the audited financial statements for the period ended 31 March 1996.

Results and dividends

The results of the group for the period are set out on page 4.

The directors do not recommend payment of a dividend.

Principal activities, trading review and future developments

The company was incorporated on 10 August 1995 as Fulldean plc and its name changed to Medihealth plc on 12 January 1996.

On 5 January 1996 the company acquired Falconline Limited and its subsidiary undertakings and from that date commenced the group's principal activity.

The principal activity of the group is that of general pharmaceutical distributors of branded and generic pharmaceutical products nationally, primarily to the retail pharmacy sector.

The directors are satisfied with the results for the period having regard to the costs incurred in establishing the group and believe the group is in a strong position to increase turnover and profitability over the next twelve months.

Directors

The directors of the company during the period and their interests in the share capital of the parent undertaking company were:

	Ordinary shares of 50p each	
	31 March 1996 Number	Date of appointment Number
M Retter (appointed 25 October 1995)	110,000	2
K E Deakin (appointed 5 January 1996)	24,554	24,554
W Gerard (appointed 5 January 1996)	9,821	9,821
T Lawrence (appointed 5 January 1996)	-	-
N M Retter (appointed 25 October 1995, resigned 11 December 1995)	-	-

The first director of the company, London Law Services, resigned on 25 October 1995.

MEDIHEALTH PLC

Report of the directors for the period ended 31 March 1996 *(Continued)*

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 of the company 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 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Supplier payment policy

The group has due regard to the payment terms of suppliers and settles all undisputed accounts in accordance with the payment terms agreed with the supplier for each business transaction.

Auditors

BDO Stoy Hayward were appointed auditors during the period and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



M Retter
Secretary

31 January 1997

MEDIHEALTH PLC

Report of the auditors

To the shareholders of Medihealth Plc

We have audited the financial statements on pages 4 to 20 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the group's directors are responsible for the preparation of the 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.

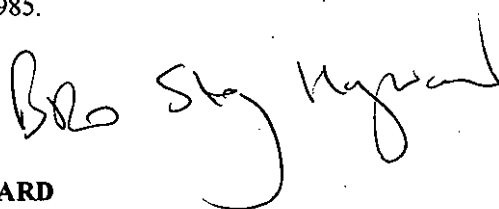
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 misstatements, 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 group's and company's affairs as at 31 March 1996 and of the group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

Chartered Accountants
and Registered Auditors
Manchester

31 January 1997

MEDIHEALTH PLC**Consolidated profit and loss account for the period ended 31 March 1996**

	Note	1996 £
Turnover	2	7,378,073
Cost of sales		6,259,469
Gross profit		<u>1,118,604</u>
Distribution expenses		50,395
Administrative expenses		1,038,097
Operating profit	3	<u>30,112</u>
Interest receivable		66,421
Interest payable	6	(211,518)
Loss on ordinary activities before taxation		<u>(114,985)</u>
Tax on loss on ordinary activities	7	125,801
Loss on ordinary activities after taxation		<u>(240,786)</u>
Minority interests		6,915
Loss for the financial period		<u>(247,701)</u>
Dividends	8	97,869
Loss for the period transferred to reserves	18	<u>(345,570)</u>

All amounts relate to continued activities of acquired operations.

All recognised gains and losses are shown in the profit and loss account.

The notes on pages 8 to 20 form part of these financial statements.

MEDIHEALTH PLC**Consolidated balance sheet at 31 March 1996**

	Note	1996	
		£	£
Fixed assets			
Intangible assets	9		3,519,618
Tangible assets	10		298,565
			<u>3,818,183</u>
Current assets			
Stocks	12	4,429,837	
Debtors - due within one year	13	7,133,973	
Cash at bank and in hand		5,277,277	
		<u>16,841,087</u>	
Creditors: amounts falling due within one year	14	14,612,273	
		<u></u>	
Net current assets			2,228,814
Total assets less current liabilities			<u>6,046,997</u>
Creditors: amounts falling due after more than one year	15		7,159
			<u>6,039,838</u>
Capital and reserves			
Called up share capital	- equity 17		235,715
	- non-equity 17		5,836,939
Share premium account	- equity 18		-
Profit and loss account	- equity 18		(345,570)
Profit and loss account	- non-equity 18		97,869
			<u>5,824,953</u>
Shareholders' funds	19		
Minority interests	- equity		214,885
			<u>6,039,838</u>

These financial statements were approved by the Board on 31 January 1997.

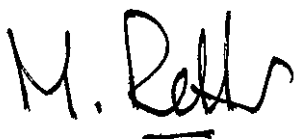
The notes on pages 8 to 20 form part of these financial statements

MEDIHEALTH PLC

Balance sheet at 31 March 1996

	Note	1996	
		£	£
Fixed assets			
Tangible assets	10		8,327
Investments	11		5,785,745
			<u>5,794,072</u>
Current assets			
Debtors	13	367,335	
Cash at bank and in hand		5,273,654	
		<u>5,640,989</u>	
Creditors: amounts falling due within one year	14	5,383,977	
Net current assets			<u>257,012</u>
Total assets less current liabilities			<u>6,051,084</u>
Capital and reserves			
Called up share capital	- equity 17		235,715
	- non-equity 17		5,836,939
Share premium account	- equity 18		-
Profit and loss account	- equity 18		(119,439)
Profit and loss account	- non-equity 18		97,869
Shareholders' funds	19		<u>6,051,084</u>

These financial statements were approved by the Board on 31 January 1997.



M Retter
Director

The notes on pages 8 to 20 form part of these financial statements

MEDIHEALTH PLC**Consolidated cash flow statement for the period ended 31 March 1996**

	Note	1996 £	£
Net cash inflow from operating activities	23		740,689
Returns on investments and servicing of finance			
Interest paid		(150,570)	
Interest received		66,421	
Net cash outflow from returns on investments and servicing of finance			(84,149)
Investing activities			
Purchase of tangible fixed assets		15,864	
Purchase of patents and licenses		17,000	
Purchase of subsidiary undertaking	21	5,464,392	
Net cash outflow from investing activities			(5,497,256)
Net cash outflow before financing			(4,840,716)
Financing			
Issue of shares		6,072,654	
Capital element of finance lease rental payments		(24,701)	
Net cash inflow from financing	25		6,047,953
Increase in cash and cash equivalents	24		1,207,237

The notes on pages 8 to 20 form part of these financial statements

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996

1 Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The company has taken advantage of the exemption from presenting its own profit and loss account. The principal accounting policies, are:

Basis of consolidation

The consolidated accounts incorporate the financial statements of Medihealth plc and all of its subsidiary and associated undertakings made up to 31 March 1996. The group uses the acquisition method of accounting to consolidate the results of subsidiary undertakings from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill arising on consolidation is amortised through the profit and loss account on a straight line basis over its estimated useful life not exceeding ten years.

Turnover

Turnover represents sales to external customers at invoiced amount less value added tax.

Amortisation

The capitalised cost of new patents and licenses is amortised over their useful life of five years from granting the license.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated using the following rates:

Leasehold improvements	-	Equally over length of lease
Fixtures, fittings and equipment	-	15% per annum reducing balance
Plant and machinery	-	25% per annum reducing balance
Motor vehicles	-	25% and 50% per annum on cost
Computer equipment	-	25% per annum on cost

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (*Continued*)

1 Accounting policies (*Continued*)

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Leases and hire purchase contracts

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balances of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Hire purchase contracts are treated identically to finance leases.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

2 Turnover, profits and net assets

All of the group's turnover, profits and net assets relate to its principal activity. Turnover is predominantly in the UK:

3 Operating profit

	1996 £
This is arrived at after charging:	
Depreciation of tangible fixed assets	42,775
Amortisation of intangible fixed assets	84,039
Auditors' remuneration	31,200
- audit services	
- non-audit services*	60,000

Depreciation includes £4,300 charged on assets held under finance leases and hire purchase contracts.

* Remuneration has also been paid to the auditors for non-audit services amounting to £285,000 which has been accounted for as part of the costs of acquisition and the issue of shares.

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (Continued)

4 Employees

The average weekly number of employees of the group during the period from 5 January 1996, including executive directors, was as follows:

	1996 Number
Administration	32
Selling and distribution	95
	<hr/> 127

Staff costs for all employees, including executive directors, consist of:

	£
Wages and salaries	424,300
Social security costs	37,844
Other pension costs	4,414
	<hr/> 466,558

5 Directors

	1996 £
Emoluments:	
Fees as directors	10,000
Remuneration for management services	47,910
	<hr/> 57,910

Emoluments (excluding pension contributions) of:

Chairman	5,000
Highest paid director	42,077
	<hr/>

Other directors' emoluments fell within the ranges:

	Number
£0 - £5,000	1
£5,001 - £10,000	1
	<hr/>

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (Continued)

6 Interest payable

	1996 £
Bank loans and overdrafts	150,570
Other loans	60,948
	<u>211,518</u>

7 Taxation on loss on ordinary activities

	1996 £
UK corporation tax at 33%	125,801
	<u>125,801</u>

8 Dividends

Preference shares (non-equity) dividends	1996 £
9% Redeemable Convertible Preference shares	97,869
	<u>97,869</u>

In accordance with FRS4, the company has appropriated through the profit and loss account Preference share dividends for the year on the company's 9% Redeemable Cumulative Preference Shares. However, as the company is not due to declare these dividends and does not have sufficient distributable reserves, these dividends have been credited back to the profit and loss account (note 18).

9 Intangible assets

Group	Patents and licenses £	Goodwill on consolidation £	Total £
<i>Cost</i>			
Subsidiary undertakings acquired	216,980	-	216,980
Additions during period	17,000	3,496,954	3,513,954
At 31 March 1996	<u>233,980</u>	<u>3,496,954</u>	<u>3,730,934</u>
<i>Amortisation</i>			
Subsidiary undertakings acquired	127,380	-	127,380
Provision for period	2,500	81,436	83,936
At 31 March 1996	<u>129,880</u>	<u>81,436</u>	<u>211,316</u>
<i>Net book value</i>			
At 31 March 1996	<u>104,100</u>	<u>3,415,518</u>	<u>3,519,618</u>

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (Continued)

10 Tangible assets

Group	Leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<i>Cost</i>					
Subsidiary undertakings acquired	36,774	50,475	203,912	459,171	750,332
Additions	8,963	-	6,901	-	15,864
At 31 March 1996	<u>45,737</u>	<u>50,475</u>	<u>210,813</u>	<u>459,171</u>	<u>766,196</u>
<i>Depreciation</i>					
Subsidiary undertakings acquired	30,297	30,424	145,113	219,022	424,856
Provision for period	1,740	3,247	11,022	26,766	42,775
At 31 March 1996	<u>32,037</u>	<u>33,671</u>	<u>156,135</u>	<u>245,788</u>	<u>467,631</u>
<i>Net book value</i>					
At 31 March 1996	<u>13,700</u>	<u>16,804</u>	<u>54,678</u>	<u>213,383</u>	<u>298,565</u>

The net book value of tangible fixed assets for the group includes an amount of £84,494 in respect of assets held under finance leases and hire purchase contracts.

Company	Leasehold improvements £	Fixtures and fittings £	Total £
<i>Cost</i>			
Additions and at 31 March 1996	<u>7,544</u>	<u>949</u>	<u>8,493</u>
<i>Depreciation</i>			
Provision for period and at 31 March 1996	<u>-</u>	<u>166</u>	<u>166</u>
<i>Net book value</i>			
At 31 March 1996	<u>7,544</u>	<u>783</u>	<u>8,327</u>

MEDIHEALTH PLCNotes forming part of the financial statements for the period ended 31 March 1996 *(Continued)***11 Fixed asset investments****Company****Group
undertakings
£***Cost*

Additions and at 31 March 1996

5,785,745

The following were subsidiary and associated undertakings at the end of the period and have all been included in the consolidated accounts.

Name	Country of incorporation or registration	Proportion of voting rights and share capital held	Nature of business
Falconline Limited	England	100%	Holding company
Medihealth International Limited	England	95% *	Holding company
Swingward Limited	England	100% *	General Pharmaceutical Distributors
Hollinhurst Limited	England	70% *	General Pharmaceutical Distributors
North East Generics Limited	England	70% *	General Pharmaceutical Distributors
Format Pharmaceuticals Limited	England	100% *	Dormant
Expo Pharm Limited	England	100% *	Dormant
Pharmaceutical Identity Limited	England	50% *	Pharmaceutical Industry

* Shares held by subsidiary undertaking.

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (Continued)

12 Stocks

	Group 1996 £	Company 1996 £
Finished goods and goods held for resale	4,429,837	-

The replacement cost of stock is not materially different to that disclosed above.

13 Debtors

	Group 1996 £	Company 1996 £
Due within one year		
Trade debtors	6,735,258	-
Amounts owing from subsidiary undertakings	-	37,719
Prepayments and accrued income	302,444	289,800
Other debtors	96,271	39,816
	<u>7,133,973</u>	<u>367,335</u>

14 Creditors: amounts falling due within one year

	Group 1996 £	Company 1996 £
Bank overdrafts (secured)	362,366	-
Commercial finance	3,707,674	-
Trade creditors	3,966,876	113,776
Other creditors	5,057,436	5,006,591
Taxation and Social Security	562,954	31,579
Corporation tax	412,792	57,199
Obligations under finance leases and hire purchase contracts	44,351	-
Accruals and deferred income	497,824	174,832
	<u>14,612,273</u>	<u>5,383,977</u>

The bank overdrafts are secured by a floating charge over the assets of the group.

Included in other creditors is £4,900,000 of unsecured loan stock (see note 21). Also included in other creditors is a loan from a director, Mr M Retter of £50,000.

The commercial finance liability represents advances under invoice discounting agreements and are secured on the book debts of the group.

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (Continued)

15 Creditors: amounts falling due after more than one year

	Group 1996 £	Company 1996 £
Obligations under finance leases and hire purchase contracts	7,159	-

Obligations under finance leases and hire purchase contracts are due within 1 - 2 years.

16 Deferred taxation

The amount of unprovided deferred taxation and the amount provided are as follows:

Group	1996 Unprovided £	1996 Provided in accounts £
Capital allowances	(11,629)	-
Sundry timing differences	(71,089)	-
	<u>(82,718)</u>	<u>-</u>

17 Share capital

Authorised

Non-equity

7,196,939 9% Redeemable Cumulative Preference Shares of £1 each

7,196,939

Equity

327,054 Convertible Preference Shares of 50p each
175,000 Ordinary Shares of 50p each

163,527

87,500

251,027

Allotted, called up and fully paid

Non-equity

5,836,939 9% Redeemable Cumulative Preference Shares of £1 each

5,836,939

5,836,939

Equity

327,054 Convertible Preference Shares of 50p each
144,375 Ordinary Preference Shares of 50p each

163,527

72,188

163,527

72,188

235,715

235,715

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (*Continued*)

17 Share capital (*continued*)

Movements in ordinary shares during the period

On incorporation, the share capital of the company was £50,000, divided into 50,000 ordinary shares of £1 each, two of which were issued at par for cash to the subscribers to the memorandum.

On 8 November 1995, each £1 ordinary share was sub-divided into 2 ordinary shares of 50p each and the authorised share capital was increased to £60,000. On the same day 109,998 ordinary shares of 50p each were allotted for a cash consideration of £1 each to provide working capital for the company.

On 11 December 1995 the authorised share capital was increased to £75,000 and 24,552 ordinary shares of 50p each were allotted for a cash consideration of £2.0365 each to provide working capital for the company.

On 15 December 1995 the authorised share capital was increased to £7,447,966.

On 5 January 1996 the following shares were allotted for cash to finance the acquisition of the Falconline Limited Group (see note 21):

9,821	Ordinary shares of 50p each for a consideration of £4.073 each
327,054	Convertible preference shares of 50p each for a consideration of £1.39 each
5,836,939	Redeemable preference shares of £1 each at par

Rights attaching to shares

The convertible preference shares are convertible, subject to certain conditions contained in the company's articles of association, into either redeemable preference shares or ordinary shares.

The convertible preference shares rank *pari passu* with the ordinary shares.

On a return of capital on liquidation or otherwise, the assets available for distribution amongst its shareholders shall be applied, in priority to any payment to the holders of the ordinary shares, in paying to the convertible preference shareholders the nominal amount plus any premium paid on subscription of the convertible preference shares.

The holders of the redeemable preference shares are entitled to receive a fixed cumulative preference dividend at the rate of 9 per cent per annum (inclusive of the imputed tax credit) payable in accordance with the articles of association with the first payment date due on 1 January 1999.

On a return of capital on liquidation or otherwise, the assets available for distribution amongst its shareholders shall be applied, in priority to any payment to the holders of any other class of shares, in paying to the redeemable preference shareholders the subscription monies and any unpaid preference dividend.

The redeemable preference shareholders are not entitled to vote at a general meeting unless certain conditions concerning redemption and the payment of preference dividends have not been met as specified in the articles of association.

The redeemable preference shares are redeemable at par on three dates, the earliest being 31 December 1998 and the latest being 31 December 2000. The redemption is compulsory on those dates unless the company has voluntarily redeemed them earlier.

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (Continued)

18 Reserves

Group	Equity share premium account £	Equity profit and loss account £	Non-equity profit and loss account £
Issue of shares	418,889	-	-
Issue costs	(418,889)	-	-
Loss for the period	-	(345,570)	-
Preference shares dividend appropriation	-	-	97,869
At 31 March 1996	-	(345,570)	97,869
Company			
Issue of shares	418,889	-	-
Issue costs	(418,889)	-	-
Loss for the period	-	(119,439)	-
Preference shares dividend appropriation	-	-	97,869
At 31 March 1996	-	(119,439)	97,869

19 Reconciliation of movements in shareholders funds

	Group 1996 £	Company 1996 £
Loss for the financial period	(247,701)	(21,570)
Dividends	97,869	97,869
	(345,570)	(119,439)
Issue of shares	6,072,654	6,072,654
Preference shares dividend appropriation	97,869	97,869
Net assets at 31 March 1996	5,824,953	6,051,084

20 Contingent liabilities

The company has guaranteed bank borrowings of its UK subsidiary undertakings. At the period end the liabilities covered by these guarantees totalled £362,366.

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 (Continued)

21 Acquisition

Acquisition of Falconline Limited and subsidiary undertakings

On 5 January 1996, the group acquired Falconline Limited including the 95% interest in its subsidiary undertakings for a cash consideration (including costs of £125,560) of £885,745 and the issue of unsecured loan stock of £4,900,000, giving rise to goodwill of £3,496,954.

This has been determined as follows:

	Book value and fair value to the group £
Fixed assets	
Intangible	89,600
Tangible	325,476
Investments	2
Stocks	3,941,511
Debtors	7,200,466
Cash at bank and in hand	110,158
Creditors	(4,476,442)
Commercial finance invoice discounting	(3,886,243)
Bank overdraft	(802,562)
Net assets	2,501,966
Minority interests	92,712
	<hr/> 2,409,254
Group share (95%)	<hr/> 2,288,791

The cash effect of the acquisition was as follows:

	£
Cash at bank and in hand acquired	110,158
Bank overdraft acquired	(802,562)
Commercial finance acquired	(3,886,243)
Cash consideration and acquisition costs	(885,745)
Net outflow of cash and cash equivalents in respect of the acquisition	<hr/> (5,464,392)

The results of the group owned by Falconline Limited in the period from 1 February 1995 up to its acquisition by Medihealth plc on 5 January 1996 was a loss after taxation, before minority interests of £28,443.

The profit after taxation, before minority interests of this group in the year ended 31 January 1995 was £242,573.

MEDIHEALTH PLCNotes forming part of the financial statements for the period ended 31 March 1996 *(Continued)***22 Commitments under operating leases**

As at 31 March 1996, the group had annual commitments under non-cancellable operating leases as set out below:

	1996	
	Land and buildings £	Other £
Operating leases which expire:		
In two to five years	54,500	2,826
After five years	21,180	-
	<u>75,680</u>	<u>2,826</u>

23 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £
Operating profit	30,112
Depreciation	42,775
Amortisation of intangible assets	83,936
Increase in stocks	(488,326)
Decrease in debtors	66,493
Increase in creditors	1,005,699
Net cash inflow from operating activities	<u>740,689</u>

24 Analysis of changes in cash and cash equivalents

	Commercial finance £	Cash at Bank £	Overdrafts £	Total £
<i>Movements in 1996</i>				
Net cash inflow/(outflow) and at 31 March 1996	<u>(3,707,674)</u>	<u>5,277,277</u>	<u>(362,366)</u>	<u>1,207,237</u>

MEDIHEALTH PLC

Notes forming part of the financial statements for the period ended 31 March 1996 *(Continued)*

25 Analysis of changes in financing

	Share capital including premium 1996 £	Loans and finance lease obligations 1996 £
Subsidiary undertakings acquired	-	76,211
Loan stock issued as part consideration for acquisition (note 21)	-	4,900,000
Cash inflows/(outflows) from financing	6,072,654	(24,701)
Balance at 31 March	<u>6,072,654</u>	<u>4,951,510</u>

26 Effect on cash flows of acquisitions

	£
Operating cash flows	711,872
Returns on investment and servicing of finance	(150,570)
Investing activities	(24,371)
Financing	(24,701)
Net cash inflow	<u>512,230</u>

27 Pensions

A defined contribution pension scheme is operated on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund, and amounted to £4,414 for the period.