

PRESTIGE NURSING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2004

Company Number: 1006953

Jacob Cavenagh & Skeet
Chartered Accountants
5 Robin Hood Lane
Sutton
Surrey SM1 2SW



PRESTIGE NURSING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2004

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PRESTIGE NURSING LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited group financial statements for the year ended 31st December 2004.

Principal activities

The group's principal activities during the year continued to be that of nursing agents and the running of a franchising operation.

Review of the year and future developments

2004 was another difficult trading year for Prestige Nursing, as lower margins and sales volumes with the NHS continued to affect trading performance. The company has now re-structured into two divisions; Homecare Services and Healthcare Staffing, which will result in a clearer focus on more profitable market segments, particularly Social Care. When combined with the results of the cost-reduction programme that finished in late 2004, we expect Prestige Nursing will see a much improved performance in 2005.

Charitable donations

The group made charitable donations totalling £2,322 in the year (2003: £500).

Directors and their interests

The directors who served during the year and their beneficial interests in the issued share capital of the parent company were as follows:

	Number of ordinary shares	
	31st December 2004	31st December 2003
P B Bruce	1,570	1,570
Mrs P Bruce	1,570	1,570
J Bruce	1,500	1,500
Ms D Jared	-	-

Mr and Mrs P B Bruce have a non-beneficial interest in 4,360 of the issued £1 ordinary shares.

Auditors

The auditors, Jacob Cavenagh & Skeet, have expressed their willingness to continue in office and a resolution to reappoint them will be put to the forthcoming annual general meeting.

BY ORDER OF THE BOARD



Ms D Jared
Secretary

9th August 2005

PRESTIGE NURSING LIMITED

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 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PRESTIGE NURSING LIMITED**

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 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and statutory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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 the affairs of the group and company at 31st December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Jacob Cavenagh & Skeet

5 Robin Hood Lane
Sutton
Surrey SM1 2SW

Jacob Cavenagh & Skeet
Chartered Accountants
and Registered Auditor

9th August 2005

PRESTIGE NURSING LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2004

		2004	2003
	Note	£	£
Turnover	1	28,164,213	28,624,850
Cost of sales		<u>23,647,618</u>	<u>23,804,858</u>
Gross profit		4,516,595	4,819,992
Marketing costs		219,325	154,678
Administrative expenses		<u>4,465,675</u>	<u>4,776,624</u>
		<u>4,685,000</u>	<u>4,931,302</u>
Operating (loss)/profit	2	(168,405)	(111,310)
Provision for debt of related party	16	(291,714)	-
Interest receivable		2,969	1,261
Interest payable	4	(28,429)	(33,254)
(Loss)/profit on ordinary activities before taxation		(485,579)	(143,303)
Tax on (loss)/profit on ordinary activities	5	(53,314)	(51,412)
(Loss)/profit for the year		(432,265)	(91,891)
Equity Minority Interests		<u>165</u>	(9)
Retained (loss)/profit for the year		(432,100)	(91,900)
Retained profit brought forward		<u>2,469,638</u>	<u>2,561,538</u>
Retained profit carried forward		<u>2,037,538</u>	<u>2,469,638</u>

The turnover is generated from continuing activities.

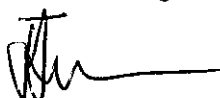
The group has no recognised gains or losses other than those reported above.

PRESTIGE NURSING LIMITED

GROUP BALANCE SHEET AS AT 31ST DECEMBER 2004

		2004		2003	
	Note	£	£	£	£
Fixed assets					
Intangible assets	6a		245,310		180,643
Tangible assets	7		<u>378,057</u>		<u>545,957</u>
			623,367		726,600
Current assets					
Debtors	9	3,745,166		5,367,559	
Cash in hand		<u>1,142</u>		<u>4,032</u>	
		3,746,308		5,371,591	
Creditors: Amounts falling due within one year	10	(<u>2,380,502</u>)		(<u>3,623,026</u>)	
Net current assets			<u>1,365,806</u>		<u>1,748,565</u>
Total assets less current liabilities			1,989,173		2,475,165
Provision for liabilities and charges	11		58,416		4,689
Equity Minority Interests			(<u>51</u>)		(<u>216</u>)
Net assets			<u>2,047,538</u>		<u>2,479,638</u>
Capital and reserves					
Share capital	12		10,000		10,000
Profit and loss account			<u>2,037,538</u>		<u>2,469,638</u>
	13		<u>2,047,538</u>		<u>2,479,638</u>

The financial statements were approved by the Board of Directors on 9th August 2005 and signed on its behalf by:



J Bruce
Director

PRESTIGE NURSING LIMITED


COMPANY BALANCE SHEET AS AT 31ST DECEMBER 2004

	Note	2004 £	2003 £
Fixed assets			
Intangible assets	6b	241,050	176,383
Tangible assets	7	378,057	545,957
Investments	8	<u>2</u>	<u>2</u>
		619,109	722,342
Current assets			
Debtors	9	3,679,851	5,195,671
Cash in hand		<u>500</u>	<u>709</u>
		3,680,351	5,196,380
Creditors: Amounts falling due within one year	10	<u>(2,995,070)</u>	<u>(3,995,931)</u>
Net current assets		<u>685,281</u>	<u>1,200,449</u>
Total assets less current liabilities		<u>1,304,390</u>	<u>1,922,791</u>
Provision for liabilities and charges	11	<u>58,267</u>	<u>4,491</u>
Net assets		<u>1,362,657</u>	<u>1,927,282</u>
Capital and reserves			
Share capital	12	10,000	10,000
Profit and loss account		<u>1,352,657</u>	<u>1,917,282</u>
	13	<u>1,362,657</u>	<u>1,927,282</u>

The exemption conferred by Section 230 of the Companies Act 1985 has been exercised such that the individual company profit and loss account has been omitted.

Individual company (loss)/profit for the year after taxation (564,625) (344,288)

The financial statements were approved by the Board of Directors on 9th August 2005 and signed on its behalf by:



J Bruce
Director

PRESTIGE NURSING LIMITED

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2004

	Note	2004 £	2003 £
Net cash inflow/(outflow) from operations	1	734,280	(301,970)
Returns on investment and servicing of finance			
Interest received		2,969	1,261
Interest paid		(28,429)	(33,254)
		(25,460)	(31,993)
Taxation			
Corporation tax paid		(42,229)	(167,767)
Capital expenditure			
Payments to acquire intangible fixed assets		(119,500)	(52,000)
Payments to acquire tangible assets		(71,206)	(274,738)
Proceeds of sale of fixed assets		<u>3,472</u>	<u>7,040</u>
Net cash outflow from capital expenditure		(187,234)	(319,698)
(Decrease) in cash	2	<u>479,357</u>	<u>(821,428)</u>

NOTES TO THE GROUP CASH FLOW STATEMENT

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operations	2004 £	2003 £
	Operating (loss)/profit	(168,405)	(111,310)
	Depreciation	225,513	199,966
	Goodwill amortisation	54,833	36,367
	(Profit)/loss on sale of fixed assets	10,121	(5,146)
	Movement in: Stock	-	62
	Debtors	1,330,679	(1,069,520)
	Creditors	(718,461)	647,611
	Net cash (outflow)/inflow from operations	<u>734,280</u>	<u>(301,970)</u>
2	Reconciliation of net cash flow to movement in net funds	2004 £	2003 £
	Net (debt)/funds at 1st January 2004	(916,722)	(95,294)
	(Decrease) in cash in the year	<u>479,357</u>	<u>(821,428)</u>
	Net (debt) at 31st December 2004	<u>(437,365)</u>	<u>(916,722)</u>

PRESTIGE NURSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2004

1 ACCOUNTING POLICIES

1.1 Accounting convention

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

The group accounts consolidate the accounts of the company, Prestige Nursing Limited, and its subsidiaries Prestige Nursing Franchise Limited and Prestige Nursing Training Limited. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

1.2 Turnover

Turnover represents amounts receivable for services provided to customers and clients, net of Value Added Tax.

1.3 Depreciation of tangible assets

Provision is made for depreciation on all tangible assets at rates calculated to write off cost less estimated residual value of each asset over its expected useful life as follows:

Leasehold improvements	-	over 10 years
Office equipment	-	33.3% per annum on cost
Fixtures and fittings	-	10% per annum on cost
Motor vehicles	-	33.3% per annum on cost

1.4 Leasing and hire purchase commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

1.5 Amortisation of goodwill

The group's policy is to write off purchased goodwill over its useful economic life of 5 years, on a straight line basis.

Goodwill arising on consolidation is not amortised.

1.6 Deferred taxation

Deferred taxation is provided using the liability method to take account of timing differences between certain items for accounts purposes and their treatment for tax purposes.

2 OPERATING (LOSS)/PROFIT

	2004 £	2003 £
This is stated after charging:		
Auditors' remuneration – audit services	8,755	8,500
– other services	10,519	12,453
Amortisation	54,833	36,367
Depreciation	225,513	199,966
(Profit)/loss on disposal of fixed assets	10,121	(5,146)
Operating lease rentals in respect of:		
Motor vehicles	85	-
Land and buildings	<u>318,093</u>	<u>333,586</u>

PRESTIGE NURSING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2004 (continued)****3 EMPLOYEE INFORMATION**

	2004	2003
	£	£
Staff costs		
Wages and salaries	3,285,682	3,471,237
Social security	279,946	262,730
Other pension costs	<u>31,814</u>	<u>31,516</u>
	<u>3,597,442</u>	<u>3,765,483</u>

	No	No
The average weekly number of employees during the year was	<u>177</u>	<u>195</u>

Directors' emoluments

	£	£
Emoluments in respect of qualifying service	239,671	229,470
Company contributions to money purchase pension schemes	<u>24,500</u>	<u>24,125</u>
	<u>264,171</u>	<u>253,595</u>

The number of directors to whom retirement benefits are accruing under defined contributions pension schemes is 2 (2003: 2).

Information regarding the highest paid director is as follows:

	2004	2003
	£	£
Emoluments and benefits	90,177	86,959
Pension contributions	<u>14,000</u>	<u>12,500</u>
	<u>104,177</u>	<u>99,459</u>

Pension scheme arrangements

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension cost charge represents the contributions payable by the group to the funds and amounted to £31,814 (2003: £31,516).

4 INTEREST PAYABLE

	2004	2003
	£	£
On bank overdraft repayable on demand	28,270	33,220
Other interest	<u>159</u>	<u>34</u>
	<u>28,429</u>	<u>33,254</u>

PRESTIGE NURSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2004 (continued)

5	TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	2004 £	2003 £
(a)	Analysis of charge in period		
	<i>Current tax:</i>		
	UK corporation tax on profits of the period	-	41,816
	Adjustments in respect of previous period	413	(92,903)
	Total current tax (note 5(b))	413	(51,087)
	<i>Deferred tax:</i>		
	Origination and reversal of timing differences	(53,727)	(325)
	Tax on profit on ordinary activities	(53,314)	(51,412)
(b)	Factors affecting tax charge for period		
	(Loss)/profit on ordinary activities before tax	(485,579)	(143,303)
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(145,674)	(42,991)
	Effects of:		
	Expenses not deductible for tax	93,832	7,976
	Capital allowances for the period in excess of depreciation	29,208	1,046
	Utilisation of tax losses	24,517	85,247
	Adjustment for marginal relief	-	(9,462)
	Adjustment for reduced tax rate	(1,883)	-
	Adjustments to tax charge in respect of previous periods	413	(92,903)
	Current tax charge for period (see 5(a))	413	(51,087)

The standard rate of tax is equal to the large company rate of tax.

6a	INTANGIBLE FIXED ASSETS – Group	Purchased goodwill £	Goodwill on consolidation £	Total £
	Cost			
	At 1st January 2004	229,500	4,260	233,760
	Additions	119,500	-	119,500
	At 31st December 2004	349,000	4,260	353,260
	Amortisation			
	At 1st January 2004	53,117	-	53,117
	Charge for the year	54,833	-	54,833
	At 31st December 2004	107,950	-	107,950
	Net book value			
	At 31st December 2004	241,050	4,260	245,310
	At 31st December 2003	176,383	4,260	180,643

PRESTIGE NURSING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2004 (continued)**

6b INTANGIBLE FIXED ASSETS - Company

**Purchased
Goodwill
£**

Cost

At 1st January 2004	229,500
Additions	<u>119,500</u>
At 31st December 2004	<u>349,000</u>

Amortisation

At 1st January 2004	53,117
Charge for the year	<u>54,833</u>
At 31st December 2004	<u>107,950</u>

Net book value

At 31st December 2004	<u>241,050</u>
At 31st December 2003	<u>176,383</u>

7 TANGIBLE FIXED ASSETS – Group and Company

	Leasehold improvements £	Office equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1st January 2004	142,525	574,455	102,168	216,347	1,035,495
Additions	-	59,235	11,971	-	71,206
Disposals	-	(88,258)	(20,651)	-	(108,909)
At 31st December 2004	<u>142,525</u>	<u>545,432</u>	<u>93,488</u>	<u>216,347</u>	<u>997,792</u>
Depreciation					
At 1st January 2004	27,772	352,649	32,551	76,566	489,538
Charge for the year	14,241	134,615	10,377	66,280	225,513
On disposals	-	(84,820)	(10,496)	-	(95,316)
At 31st December 2004	<u>42,013</u>	<u>402,444</u>	<u>32,432</u>	<u>142,846</u>	<u>619,735</u>
Net book value					
At 31st December 2004	<u>100,512</u>	<u>142,988</u>	<u>61,056</u>	<u>73,501</u>	<u>378,057</u>
At 31st December 2003	<u>114,753</u>	<u>221,806</u>	<u>69,617</u>	<u>139,781</u>	<u>545,957</u>

PRESTIGE NURSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2004 (continued)

8 FIXED ASSET INVESTMENTS – Company

Shares in
subsidiaries
£

Cost

At 1st January 2004 and 31st December 2004

2

The company owns 100% of the issued share capital of Prestige Nursing (Franchise) Limited which is incorporated in England and Wales. The main activity of that company is running a franchising operation. The aggregate amount of its capital and reserves at 31st December 2004 was £818,123. The profit after taxation for the year was £270,183.

The company owns 49% of the issued share capital of Prestige Nursing (Training) Limited which is incorporated in England and Wales. The main activity of that company is provision of training services. The company was dormant during the year. The company has effective control of Prestige Nursing (Training) Limited by virtue of its control of the board.

9 DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	3,387,767	3,568,168	3,322,503	3,497,831
Other debtors	13,746	902,448	13,695	800,897
Prepayments and accrued income	<u>343,653</u>	<u>896,943</u>	<u>343,653</u>	<u>896,943</u>
	<u>3,745,166</u>	<u>5,367,559</u>	<u>3,679,851</u>	<u>5,195,671</u>

10 CREDITORS: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank overdraft	438,507	920,754	438,507	920,754
Trade creditors	286,982	462,774	284,345	462,774
Amount owed to subsidiary undertaking	-	-	619,322	420,483
Corporation tax payable 1st October 2005	-	41,816	-	-
Other taxes and social security costs	804,707	1,063,549	803,790	1,058,837
Other creditors	791,611	1,071,350	791,611	1,071,350
Accruals	<u>58,695</u>	<u>62,783</u>	<u>57,495</u>	<u>61,733</u>
	<u>2,380,502</u>	<u>3,623,026</u>	<u>2,995,070</u>	<u>3,995,931</u>

The bank overdraft facility is secured by a fixed and floating charge over the company's assets.

PRESTIGE NURSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2004 (continued)

11 PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Deferred tax asset				
Timing differences regarding capital allowances	(58,416)	(4,689)	(58,267)	(4,491)

Movements on the provision for deferred tax are as follows:

	£	£
As at 1st January 2004	(4,689)	(4,491)
Transferred to profit and loss account	(53,727)	(53,776)
As at 31st December 2004	(58,416)	(58,267)

The deferred tax asset is recognised as recoverable, as it is expected that future profits will exceed future reversal of any deferred tax liabilities.

12 SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	2004	2003	2004	2003
	£	£	£	£
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Retained profit for the year	(432,100)	(91,900)	(564,625)	(344,288)
Opening shareholders' funds	<u>2,479,638</u>	<u>2,571,538</u>	<u>1,927,282</u>	<u>2,271,570</u>
Closing shareholders' funds	<u>2,047,538</u>	<u>2,479,638</u>	<u>1,362,657</u>	<u>1,927,282</u>

14 FINANCIAL AND CAPITAL COMMITMENTS

The group has financial commitments in respect of non-cancellable operating leases. The rentals payable under these leases in the next year are as follows:

	2004	2003
	£	£
Land and buildings		
Date of lease termination:		
Between two and five years	<u>318,365</u>	<u>340,899</u>

PRESTIGE NURSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2004 (continued)

15 RELATED PARTY TRANSACTIONS

Mr P Bruce, a director of the company, is also a director and has a controlling interest in Prestige Medical Recruitment Limited. At 31st December 2004, Prestige Medical Recruitment Limited owed the group £291,714 (2003: £291,240). This amount is unsecured and interest-free, has no fixed repayment date and is fully provided (see note 16).

During the year, the group charged Prestige Medical Recruitment Limited £21,942 (2003: £76,625) for staff costs and £167 (2003: £5,664) for other administrative expenses. Fixed assets with a total net book value of £885 (2003: £2,418) were transferred from Prestige Medical Recruitment Limited to the group.

16 EXCEPTIONAL ITEM

The exceptional item relates to the provision of a debt from Prestige Medical Recruitment Ltd, a related party as described in note 15.