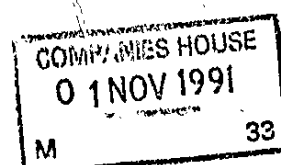


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Nestor Medical Services Ltd
Annual report
for the year ended 31 December 1990



Nestor Medical Services Ltd

Annual report for the year ended 31 December 1990

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Directors' report for the year ended 31 December 1990

The directors have pleasure in submitting their report and financial statement for the year ended 31 December 1990.

Principal activities and business review

The company runs private acute hospitals and residential nursing homes. During 1990 Little Dean nursing home was sold. The group showed a significant increase in profitability during the year, and the directors are confident about its future prospects.

Financial results

The group's results are shown in the profit and loss account on page 4. The directors have proposed a dividend of £909,015 for the year.

Directors

The names of the directors who held office during the year are as follows:

M G Rogers
J Priestley
A Pilgrim
K Payne
S K Beaumont
G Black

Directors' and their interests

The interests of the directors who were not directors of the holding company, in the Ordinary Share Capital of Nestor - BNA PLC at 31 December 1990 were:

	<u>Ordinary 10p shares</u>			<u>Share Options</u>	
	31 December 1990	31 December 1989		31 December 1990	31 December 1989
K Payne	89,688	89,688	A B	36,924 11,417	29,700 11,000
G Black	78,852	84,852		-	-
S K Beaumont	60,133	65,447	A B	36,924 11,417	29,700 11,000
A Pilgrim	-	-	A B	45,250 11,000	- -

Fixed assets

Details of movements in the fixed assets of the company are disclosed in note 12 to the financial statements.

Charitable and political donations

No charitable or political donations in excess of £200 were made during the year.

Auditors

A resolution to reappoint Coopers & Lybrand Deloitte as auditors to the company will be proposed at the annual general meeting.

By order of the board

J Lord

**Report of the auditors to the members of
Nestor Medical Services Ltd**

We have audited the financial statements on pages 4 to 17 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1990 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte.

Coopers & Lybrand Deloitte

Chartered Accountants
London

3rd July 1991

**Consolidated profit and loss account
for the year ended 31 December 1990**

	Notes	1990 £	1989 £
Turnover	2	9,854,292	7,806,410
Cost of sales		(7,659,728)	(6,414,760)
Gross profit		<u>2,194,564</u>	<u>1,391,650</u>
Other operating expenses	3	(671,224)	(401,776)
Operating profit before exceptional items		<u>1,523,340</u>	<u>989,874</u>
Exceptional items	6	(18,405)	(229,004)
Operating profit	8	<u>1,504,935</u>	<u>760,870</u>
Interest payable	7	-	(2,422)
Profit on ordinary activities before taxation	8	<u>1,504,935</u>	<u>758,448</u>
Taxation	9	(595,920)	(289,041)
Profit for the financial year	10	<u>909,015</u>	<u>469,407</u>
Dividends	11	(909,015)	(425,240)
Retained profit for the year		<u><u>-</u></u>	<u><u>44,167</u></u>

Consolidated Balance sheet at 31 December 1990

	Notes	1990 £	Group 1989 £	1990 £	Company 1989 £
Fixed assets					
Tangible assets	12	8,025,183	8,591,315	8,025,183	8,591,315
Investments in subsidiary undertakings	13	-	-	2,626,052	2,626,052
		<u>8,025,183</u>	<u>8,591,315</u>	<u>10,651,235</u>	<u>11,217,367</u>
Current assets					
Stocks	14	186,056	175,550	186,056	175,550
Debtors	15	1,311,222	5,155,647	1,311,222	5,155,647
Cash at bank and in hand		1,300,741	1,119	1,300,741	1,119
		<u>2,798,019</u>	<u>5,332,316</u>	<u>2,798,019</u>	<u>5,332,316</u>
Creditors: amounts falling due within one year	16	(6,615,252)	(9,588,067)	(12,631,926)	(15,604,741)
Net current liabilities		<u>(3,817,233)</u>	<u>(4,255,751)</u>	<u>(9,833,907)</u>	<u>(10,272,425)</u>
Total assets less current liabilities		4,207,950	4,335,564	817,328	944,942
Creditors: amounts falling due after more than one year	17	(101,717)	(13,583)	(101,717)	(13,583)
Net assets		<u>4,106,233</u>	<u>4,321,981</u>	<u>715,611</u>	<u>931,359</u>
Capital and reserves					
Called-up share capital	20	200	200	200	200
Revaluation reserve	21	3,109,852	3,325,600	-	-
Profit and loss account	21	996,181	996,181	715,411	931,159
		<u>4,106,233</u>	<u>4,321,981</u>	<u>715,611</u>	<u>931,359</u>

The financial statements on pages 4 to 17 were approved by the board of directors on
and were signed on its behalf by:

M G Rogers
Director

Jeifer R...

Consolidated statement of source and application of funds for the year ended 31 December 1990

	1990 £	1989 £
Source of funds		
Profit on ordinary activities before taxation	1,504,935	758,448
Adjustment for items not involving the movement of funds:		
Depreciation and amounts written off fixed assets	353,543	296,361
Loss on disposal of fixed assets	33,203	123,469
Total funds generated from operations	1,891,681	1,178,278
Funds from other sources		
Proceeds of disposal of tangible fixed assets	620,431	2,444,325
Lease Finance	-	24,451
Total source of funds	2,512,112	3,647,054
Application of funds		
Purchase of tangible fixed assets	(656,793)	(984,751)
Purchase of subsidiary	-	(2,875,624)
Taxation paid	(193,087)	(350,331)
Dividends paid to parent company	(425,240)	(480,522)
Realised on disposal of revalued assets	-	(18,607)
Purchased goodwill	-	(44,167)
Total application of funds	(1,275,120)	(4,754,002)
Net source/(application) of funds	1,236,992	(1,106,948)
The net source/(application) of funds is represented by the following increase/(decrease) in working capital:		
capital:		
Stocks	10,506	116,959
Debtors	(3,840,400)	28,772
Creditors	3,557,276	(1,171,786)
	(272,618)	(1,026,055)
Movements in net liquid funds:		
Cash at bank and in hand	1,299,622	407
Bank overdraft	209,988	(81,300)
Increase/(decrease) in working capital	1,236,992	(1,106,948)

**Notes to the financial statements
for the year ended 31 December 1990**

1 Principal accounting policies

The financial statements have been prepared on the historical cost basis of accounting modified to include the valuation of certain properties. For practical reasons, the financial statements for 1990 were made up to 28 December 1990, being the nearest Friday to 31 December.

Depreciation

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated value over the useful life of the asset to the group. It is the group's policy to maintain its properties in a state of good repair, and in the case of freehold properties, the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold properties.

Other fixed assets are written off by equal annual instalments over their anticipated useful lives of between three and sixteen years.

Stocks

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

Deferred taxation

Deferred taxation is provided on the liability method in respect of all timing differences between profits as stated in the accounts and as computed for taxation purposes where it is probable that the liability will crystallise.

Contributions to Pension Funds

Contributions to pension funds are determined on the basis of recommendations made by independent qualified actuaries, and are charged to profit and loss account as such contributions become payable.

Turnover

Turnover represents the aggregate of amounts receivable, net of value added tax, for goods and services supplied.

2 Turnover

Turnover arises from nursing homes and hospital management. All turnover arises in the United Kingdom.

3 Other operating expenses

	1990 £	1989 £
Administrative expenses	688,381	401,776
Less: other operating income	(17,157)	-
	<u>671,224</u>	<u>401,776</u>

4 Directors' emoluments

The remuneration paid to the directors of Nestor Medical Services Ltd was:

	1990 £	1989 £
Fees and management remuneration	217,479	146,085
Other emoluments (including pension contributions and benefits in kind)	11,062	7,539
	<u>£228,541</u>	<u>£153,624</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1990 £	1989 £
The chairman	-	-
The highest-paid director	<u>£72,200</u>	<u>£65,613</u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1990 Number	1989 Number
£0 to £5,000	2	1
£5,001 to £10,000	-	1
£10,001 to £15,000	1	2
£15,001 to £20,000	1	-
£20,001 to £25,000	1	-
£25,001 to £30,000	1	-

No emoluments were waived by the directors in 1990 (1989 : fnil).

5 Employee information

The average weekly number of persons (including executive directors) employed by the group during the year was:

1990 Number	1989 Number
----------------	----------------

<u>352</u>	<u>385</u>
------------	------------

1990 £	1989 £
-----------	-----------

Staff costs (for the above persons):

Wages and salaries

4,674,520	3,494,464
-----------	-----------

Social security costs

406,610	273,911
---------	---------

Other pension costs (see note 20)

86,383	69,287
--------	--------

<u>5,167,513</u>	<u>3,837,662</u>
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The figures for the number of employees for 1989 has been adjusted from 618 employees to the above 385 employees. The updated figure is based on the full time equivalent number of staff rather than the previously stated simple time weighted average.

6 Exceptional items

1990 £	1989 £
-----------	-----------

Loss on disposal of freehold land and buildings

<u>18,405</u>	<u>229,004</u>
---------------	----------------

The exceptional item relates to the loss on sale of Little Dean Nursing Home. No tax liability arose on the loss.

7 Interest payable and similar charges

1990 £	1989 £
-----------	-----------

On bank loans, overdrafts and other loans:

Repayable within 5 years, not by instalments

-	3,111
---	-------

Interest receivable

-	(689)
---	-------

<u>-</u>	<u>2,422</u>
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8 Profit on ordinary activities before taxation

	1990 £	1989 £
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	<u>40,174</u>	<u>38,980</u>
And after charging:		
Depreciation of		
Tangible owned fixed assets	342,785	721,959
Tangible fixed assets held under finance leases	10,758	8,511
Auditors' remuneration	35,371	23,736
Hire of plant and machinery - operating leases	103,258	78,429
Loss on disposal of freehold land and buildings	18,405	229,004
Loss on disposal of other fixed assets	14,798	-
Charges under finance lease obligations	<u>2,010</u>	<u>1,508</u>

9 Taxation

	1990 £	1989 £
United Kingdom corporation tax at 35%:		
Current	541,500	340,000
Over-provision in respect of prior years:		
Current	(44,580)	(50,959)
Transfer to deferred tax	<u>99,000</u>	-
	<u>595,920</u>	<u>289,041</u>

10 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	1990 £	1989 £
Dealt with in the accounts of the holding company	693,267	469,407
Retained by subsidiary companies	<u>215,748</u>	-
	<u>909,015</u>	<u>469,407</u>

11 Dividends

	1990 £	1989 £
Ordinary:		
Final proposed	<u>909,015</u>	<u>425,240</u>

12 Tangible fixed assets

Group and Company

	Land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 1990	7,020,270	2,044,622	9,064,892
Additions	82,895	573,898	656,793
Disposals	-	(160,041)	(160,041)
In respect of disposal of subsidiary	(704,666)	(178,661)	(883,327)
At 31 December 1990	<u>6,398,499</u>	<u>2,279,818</u>	<u>8,678,317</u>
Depreciation			
At 1 January 1990	2,270	471,307	473,577
Charge for year	13,819	339,724	353,543
Eliminated on disposal of subsidiary	-	(81,905)	(81,905)
Eliminated in respect of disposals	-	(92,081)	(92,081)
At 31 December 1990	<u>16,089</u>	<u>637,045</u>	<u>653,134</u>
Net book value			
At 31 December 1990	<u>6,382,410</u>	<u>1,642,773</u>	<u>8,025,183</u>
Net book value			
At 31 December 1989	<u>7,018,000</u>	<u>1,573,315</u>	<u>8,591,315</u>

The net book value of tangible fixed assets includes an amount of £13,333 (1989: £24,091) in respect of assets held under finance leases and hire purchase contracts.

Land and buildings were valued at 10 November 1987 by John D Wood, Chartered Surveyors, on the basis of existing use. The net book value of assets held at 31 December 1990 is represented by:

	Land and buildings £	Plant and machinery £	Total £
At 1987 valuation	5,923,950	-	5,923,950
At cost	458,460	1,642,773	2,101,233
	<u>6,382,410</u>	<u>1,642,773</u>	<u>8,025,183</u>

If land and buildings had not been valued they would have been included at cost of £4,275,607 (1989 - £4,695,449).

13 Fixed asset investments

Company

	Interests in group undertakings £'000
Cost or valuation At 1 January 1990	2,626,052
At 31 December 1990	2,626,052
Net book value At 31 December 1990	2,626,052
Net book value At 31 December 1989	2,626,052

Interests in group undertakings

Nestor Medical Services Limited owns the entire share capital of the following UK incorporated companies:

Nestor Nursing Homes Ltd
Salisbury Independent Hospitals and Medical Services Ltd
Ticehurst House Private Clinic Ltd

14 Stocks

	Group and Company	
	1990	1989
	£	£
Consumables and stores	32,750	11,151
Goods purchased for resale	153,306	164,399
	186,056	175,550

15 Debtors

	Group and Company	
	1990	1989
	£	£
Amounts falling due within one year		
Trade debtors	1,097,965	1,027,885
Amounts owed by group undertakings	30,512	4,007,697
Other debtors	108,099	28,257
Prepayments and accrued income	74,646	91,808
	1,311,222	5,155,647

16 Creditors: amounts falling due within one year

	Group		Company	
	1990	1989	1990	1989
	£	£	£	£
Bank loans and overdrafts	-	209,988	-	209,988
Obligations under finance leases	10,868	10,868	10,868	10,868
Trade creditors	213,817	297,103	213,817	297,103
Amounts owed to subsidiary undertakings	-	-	6,016,674	6,016,674
Amounts owed to group undertakings	3,949,777	8,037,485	3,949,777	8,037,485
Corporation tax	737,309	433,476	737,309	433,476
Other taxation and social security payable	206,541	147,740	206,541	147,740
Other creditors	290,586	2,431	290,586	2,431
Accruals and deferred income	297,339	23,736	297,339	23,736
Dividends payable	909,015	425,240	909,015	425,240
	<u>6,615,252</u>	<u>9,583,067</u>	<u>12,631,926</u>	<u>15,604,741</u>

17 Creditors: amounts falling due after one year

	Group and Company	
	1990	1989
	£	£
Obligations under finance leases	2,717	13,583
Deferred tax	99,000	-
	<u>101,717</u>	<u>13,583</u>

Finance leases

The future minimum lease payments to which the group and the company are committed under finance leases and hire purchase contracts are as follows:

	Group and Company	
	1990	1989
	£	£
In one year or less	13,179	13,179
Between one and two years	3,295	13,179
Between two and three years	-	3,294
	<u>16,474</u>	<u>29,652</u>
Less future finance charges	(2,839)	(5,201)
	<u>13,585</u>	<u>24,451</u>

The net lease obligations are shown in the balance sheet as:

	Group and Company	
	1990	1989
	£	£
In one year or less	10,858	10,868
Between one and two years	2,717	10,868
Between two and three years	-	2,715
	<u>13,585</u>	<u>24,451</u>

18 Deferred taxation

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

	Amount provided		Total potential liability	
	1990	1989	1990	1989
Group and company				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	99,000	-	158,255	(22,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No provision has been made for the additional United Kingdom taxation that would accrue if the investment properties, land and buildings or the investment in subsidiaries were disposed of at their revalued amounts.

19 Pension and similar obligations

Employees who are eligible for membership join the Nestor Medical Group Limited Retirement Benefits Scheme. The Scheme is administered by Trustees separately from the affairs of the Group and is contracted out of the additional component of the State Pension Scheme.

The manager of the Scheme is the Eagle Star Insurance Company. The Pension Actuary of the Eagle Star Insurance Company has carried out an actuarial valuation of the Scheme at 30 April 1989, and concluded that at that date the assets of the Scheme would have been sufficient to cover the liabilities arising in respect of preserved benefits and accrued benefits based on pensionable service to, and pensionable earnings at, the date of valuation.

20 Called-up share capital

	1990	1989
	£	£
Authorised		
200 ordinary shares of £1 each	200	200
	<u> </u>	<u> </u>
	£	£
Allotted, called up and fully paid		
200 (1989: 200) ordinary shares of 100p each	200	200
	<u> </u>	<u> </u>

21 Reserves

	Revaluation reserve £	Profit and loss account £
Group		
At 1 January 1990	3,325,600	996,181
Realised on disposal of revalued assets	(215,748)	-
	<u>3,109,852</u>	<u>996,181</u>
At 31 December 1990		
		Profit and loss account £
Company		
At 1 January 1990		931,159
Retained loss for the year		(215,748)
		<u>715,411</u>
At 31 December 1990		

22 Contingent liabilities

On 2 April 1990, the Company entered into an agreement with fellow subsidiaries to act as guarantor for a £2.5 million credit facility in favour of Nestor BNA PLC, the ultimate holding company.

23 Ultimate parent company

The ultimate holding company at 31 December 1990 was Nestor BNA plc, incorporated in England.