

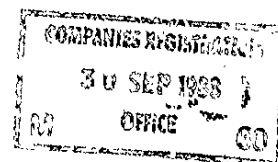
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NESTOR MEDICAL SERVICES LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1987



NESTOR MEDICAL SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report and the consolidated financial statements for the year ended 31st December 1987.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is an investment holding company. Its subsidiary companies are involved in running residential nursing homes. The group continued to be profitable 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 £471,942 for the year.

DIRECTORS

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

M.G. Rogers
J. Priestley
G. Black
K. Payne
G. Norton

DIRECTORS' INTERESTS

The interests of those directors who were not also directors of the ultimate holding company, Nestor - BNA plc, in the shares of Nestor-BNA plc were as follows:

	<u>Ordinary Share</u> <u>of 10p each</u> 31st December 1987	<u>Options</u> 31st December 1987	<u>'A' Ordinary Shares</u> <u>of 1p each</u> 31st December 1986
G. Black	76,852	-	
K. Payne	89,688	"A" 16,000 "B" 11,000	

CHARITABLE AND POLITICAL DONATIONS

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

NESTOR MEDICAL SERVICES LIMITED

REPORT OF THE DIRECTORS - (continued)

AUDITORS

In accordance with section 384 of the Companies Act 1985, a resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

P.M. Holliday

P.M. HOLLIDAY
Secretary

26th April 1988

AUDITORS' REPORT TO THE MEMBERS OF
NESTOR MEDICAL SERVICES LIMITED

We have audited the financial statements on pages 4 to 15 in accordance with approved 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 31st December 1987 and of the profit and source and application of funds of the group for the year then ended, and comply with the Companies Act 1985.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS
Chartered Accountants
London

26th April 1988

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the Year Ended 31st December 1987

	Notes	1987 £	1986 £
TURNOVER	2	4,552,200	4,250,612
Cost of sales		(3,827,257)	3,611,797
GROSS PROFIT		<u>724,943</u>	<u>638,815</u>
Administrative expenses		<u>306,521</u>	<u>278,533</u>
OPERATING PROFIT		418,422	360,282
Interest payable	6	(3,145)	(9,457)
Exceptional income	8	<u>228,996</u>	<u>31,490</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	644,273	382,315
Tax on profit on ordinary activities	7	(172,331)	(13,792)
GROUP PROFIT FOR THE FINANCIAL YEAR	9	<u>471,942</u>	<u>368,523</u>
Dividends		(471,942)	(368,523)
RETAINED PROFIT FOR THE YEAR		<u>£ -</u> =====	<u>£ -</u> =====

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

At 31st December 1987

	Notes	1987 £	1986 £
FIXED ASSETS			
Tangible fixed assets	10	7,537,221	5,696,471
CURRENT ASSETS			
Stocks	12	61,036	66,974
Debtors	13	640,683	603,215
Cash at bank and in hand		1,250	1,491
		702,969	671,680
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	14	(3,841,352)	(1,292,768)
NET CURRENT LIABILITIES		(3,138,383)	(621,088)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,398,838	5,075,383
Creditors: amounts falling due after more than one year	14	-	(2,156,620)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	-	(8,000)
NET ASSETS		£4,398,838	£2,910,763
CAPITAL AND RESERVES			
Called-up share capital	16	200	200
Revaluation reserve	17	3,402,457	1,914,382
Profit and loss account	17	996,181	996,181
		£4,398,838	£2,910,763

The financial statements on pages 4 to 15 were approved by the Board of Directors on 26th April 1988 and were signed on its behalf by:

M.G. ROGERS

J. PRIESTLEY

)
) Directors
)

M.G. Rogers
J. Priestley

NESTOR MEDICAL SERVICES LIMITED

BALANCE SHEET At 31st December 1987

	Notes	1987 £	1986 £
FIXED ASSETS			
Investments	11	<u>539,719</u>	<u>539,719</u>
CURRENT ASSETS			
Debtors	13	3,388,537	3,182,394
Cash at bank and in hand		<u>-</u>	<u>185</u>
		3,388,537	3,182,579
CREDITORS: Amounts falling due within one year	14	<u>(2,997,085)</u>	<u>(634,507)</u>
NET CURRENT ASSETS		<u>391,452</u>	<u>2,548,072</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>931,171</u>	<u>3,087,791</u>
CREDITORS: amounts falling due after more than one year	14	<u>-</u>	<u>2,156,620</u>
NET ASSETS		<u>£ 931,171</u> =====	<u>£ 931,171</u> =====
CAPITAL AND RESERVES			
Called-up share capital	16	200	200
Profit and loss account	17	<u>930,971</u>	<u>930,971</u>
SHAREHOLDERS' FUNDS		<u>£ 931,171</u> =====	<u>£ 931,171</u> =====

The financial statements on pages 4 to 15 were approved by the Board of Directors on 26th April 1988 and were signed on its behalf by:

M.G. ROGERS)

J. PRIESTLEY)

) Directors

M.G. Rogers
John Priestley

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the Year Ended 31st December 1987

	1987 £	1986 £
SOURCE OF FUNDS		
From operations:		
Profit on ordinary activities before taxation	644,273	382,315
Items not involving the movement of funds:		
Depreciation	169,690	141,251
Profit on sale of fixed assets	(233,638)	(31,490)
Total generated from operations	<u>580,325</u>	<u>492,076</u>
From other sources:		
Proceeds from sale of fixed assets	281,441	39,032
Creditors (amounts falling due after more than one year)	-	2,156,620
Taxation	-	100,871
	<u>281,441</u>	<u>2,296,523</u>
Total source of funds	<u>861,766</u>	<u>2,788,599</u>
APPLICATION OF FUNDS		
Dividends paid	(368,523)	(138,550)
Fixed asset purchases	(570,168)	(343,594)
Creditors (amounts falling due after more than one year)	-	(2,175,376)
Total application of funds	<u>(938,691)</u>	<u>(2,657,520)</u>
Net source/(application) of funds	<u>£(76,925)</u>	<u>£ 131,079</u>
INCREASE/(DECREASE) IN WORKING CAPITAL		
Debtors	37,468	46,079
Stocks	(5,938)	12,797
Creditors	(109,913)	131,967
	<u>(78,383)</u>	<u>190,843</u>
Movement in net liquid funds:		
Cash at bank and in hand	(241)	545
Bank overdrafts and loans	(7,854)	(60,309)
	<u>(8,095)</u>	<u>(59,764)</u>
	<u>£(76,925)</u>	<u>£ 131,079</u>

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31st December 1987

1. ACCOUNTING POLICIES

Group

The financial statements have been prepared on the historical cost basis of accounting modified to include the valuation of certain properties. They consolidate the financial statements of the company and its subsidiaries for the year ended 31st December 1987. For practical reasons, the financial statements for 1986 were made up to 2nd January 1987, being the nearest Friday to 31st December and represent the operations of 53 weeks.

Depreciation

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual 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 eight 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.

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1987 £	1986 £
Operating profit is stated after crediting: Rent receivable	10,044	1,559
and after charging:		
Depreciation	169,690	141,251
Plant hire	42,482	52,138
Auditors' remuneration	14,500	14,250
	=====	=====

4. EMPLOYEES

	1987 £	1986 £
Staff costs during the year:		
Wages and salaries	2,181,259	2,075,925
Social security costs	158,399	163,228
Other pension costs	51,766	50,294
	=====	=====
	£2,391,424	£2,289,447

The average weekly number of persons employed by the group during the year was:

	Number	Number
Service operations	413	414
	=====	=====

5. DIRECTORS' REMUNERATION

Staff costs include the following remuneration in respect of directors of Nestor Medical Services Limited

	1987	1986
	£106,079	£117,081
	=====	=====

The emoluments of the directors, excluding pension contributions, were as follows:-

	1987	1986
Chairman	£ -	£ -
	=====	=====
Highest-paid director	£37,402	£31,694
	=====	=====

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

5. DIRECTORS' REMUNERATION - (Continued)

The number of other directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	Number	Number
£ Nil - £ 5,000	2	1
£15,001 - £20,000	1	1
£20,001 - £25,000	1	1
£25,001 - £30,000	-	1
	===	===

6. INTEREST PAYABLE

	1987	1986
Bank interest payable on overdrafts	£3,145	£9,457
	=====	=====

7. TAXATION CHARGE

	1987 £	1986 £
UK Corporation Tax at 35% (1986: 36.25%)	241,871	159,590
Deferred tax	(8,000)	(169,555)
Adjustment in respect of prior years	(61,540)	23,757
	£172,331	£ 13,792
	=====	=====

8. EXCEPTIONAL INCOME

	1987 £	1986 £
Surplus on disposal of freehold land and buildings	51,398	31,490
Revaluation reserve realised	177,598	-
	£228,996	£31,490
	=====	=====

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY

	1987 £	1986 £
Dealt with in the accounts of the holding company	471,942	368,523
Retained by subsidiary companies	-	-
	£471,942	£368,523
	=====	=====

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

10. TANGIBLE FIXED ASSETS

No tangible fixed assets are held by the company. Details of fixed assets held by subsidiary companies are:

	Land and buildings £	Plant, equipment, fixtures and fittings £	Total £
COST OR VALUATION			
At 1st January 1987	4,927,638	1,144,288	6,071,926
Surplus on valuation	1,665,673	-	1,665,673
Additions	327,438	242,730	570,168
Disposals	(200,849)	(50,074)	(250,923)
At 31st December 1987	6,719,900	1,336,944	8,056,844
DEPRECIATION			
At 1st January 1987	-	375,455	375,455
Charge for the year	-	169,690	169,690
Eliminated on disposals	-	25,522	(25,522)
At 31st December 1987	-	519,623	519,623
NET BOOK VALUE			
At 31st December 1987	£6,719,900	£ 817,321	£7,537,221
	=====	=====	=====
At 31st December 1986	£4,927,638	£ 768,833	£5,696,471
	=====	=====	=====

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

	Land and buildings £	Plant, equipment, fixtures and fittings £	Total £
At 1987 valuation	6,696,116	-	6,696,116
At cost	23,784	317,321	841,105
	£6,719,900	£817,321	£7,537,221
	=====	=====	=====

If land and buildings had not been valued they would have been included at cost of £3,317,443 (1986 £3,013,256)

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

11. SUBSIDIARY COMPANIES

Ticehurst House Private Clinic Limited
Nestor Nursing Homes Limited

Both companies are wholly owned and incorporated in England.

12. STOCKS

<u>Group</u>	1987 £	1986 £
Stocks comprise:		
Consumables and stores	52,826	61,561
Goods purchases for resale	8,210	5,413
	<u>£61,036</u>	<u>£66,974</u>
	=====	=====

The replacement cost of stocks at each year-end date is approximately the same as the balance sheet value.

13. DEBTORS

<u>Group</u>	1987 £	1986 £
Amounts falling due within one year:		
Trade debtors	550,836	508,854
Other debtors	4,794	4,461
Prepayments and accrued income	85,053	89,900
	<u>£640,683</u>	<u>£603,215</u>
	=====	=====
 <u>Company</u>	 1987 £	 1986 £
Amounts falling due within one year:		
Amounts owed by group companies	2,916,595	2,813,871
Dividends receivable from subsidiaries	471,942	368,523
	<u>£3,388,537</u>	<u>£3,182,394</u>
	=====	=====

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

14. CREDITORS

<u>Group</u>	1987 £	1986 £
Amounts falling due within one year:		
Bank overdrafts	118,083	110,229
Trade creditors	124,453	238,732
Amounts owed to group companies	2,632,892	265,984
Other creditors	40,073	26,169
Corporation tax	381,035	200,704
Other taxation and social security	72,874	82,427
Dividend payable to holding company	471,942	368,523
	<u>£3,841,352</u>	<u>£1,292,768</u>
	=====	=====
Creditors falling due after more than one year:		
Amounts owed to group companies	£ -	£2,156,620
	==	=====
<u>Company</u>	1987 £	1986 £
Amounts falling due within one year:		
Amounts owed to group companies	2,916,595	265,984
Dividend payable to holding company	471,942	368,523
	<u>£3,388,537</u>	<u>£634,507</u>
	=====	=====
Amounts falling due after more than one year:		
Amounts owed to group companies	£ -	£2,156,620
	==	=====

15. DEFERRED TAXATION

	1987	1986
Amount provided:		
Excess of capital allowances over depreciation	£ -	£ 8,000
	=====	=====
Total potential liability	£116,164	£162,362
	=====	=====

In addition to the potential liability shown above, a taxation charge of approximately £900,000 would arise on chargeable gains in the event of properties being realised at valuations at which they are included in the balance sheet.

The movements on the group provision for deferred taxation are as follows:

	1987 £	1986 £
At 1st January 1987	8,000	177,555
Transfer to profit and loss account	(8,000)	(169,555)
	<u>-----</u>	<u>-----</u>
At 31st December 1987	£ -	£ 8,000
	=====	=====

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

16. SHARE CAPITAL

	1987	1986
Authorised, allotted, called up and fully paid: 200 Ordinary shares of £1 each	£200 ===	£200 ===

17. RESERVES

Group

	Revaluation reserve £	Profit and loss account £
At 1st January 1987	1,914,382	996,181
Surplus arising on revaluation of land and buildings during the year	1,665,673	-
Realised on disposal of revalued assets	(177,593)	-
At 31st December 1987	£3,402,457 =====	£996,181 =====

Company

At 1st January 1987		930,971
Retained profit for the year		-
At 31st December 1987		£930,971 =====

18. CAPITAL COMMITMENTS

	1987 £	1986 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	£70,659 =====	£ - =====
Capital expenditure that has been authorised by the directors but has not yet been contracted for	£16,740 =====	£340,000 =====

NESTOR MEDICAL SERVICES LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

19. CONTINGENT LIABILITIES

The company has given guarantees to bankers in respect of overdraft facilities of £1 million available to Nestor- BNA plc and its subsidiary companies.

Bank loan, overdrafts and other loans to Nestor-BNA plc and its subsidiaries are secured by floating charges over the group's assets and fixed charges over certain of the groups properties.

20. PENSION COSTS

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 30th April 1986, 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.

21. NESTOR - BNA EMPLOYEE SHARE OPTION SCHEME

1,260,877 ordinary 10p Shares had been put under option to Nestor - BNA directors and employees at 31st December 1987. The options are exercisable subject to certain conditions from October 1990 to October 1997 at 75p per share.

22. ULTIMATE HOLDING COMPANY

The ultimate holding company at 31st December 1987 was Nestor-BNA plc, incorporated in England.