

**Nestor Healthcare Group Limited**

**Directors' report and financial statements**

13 months ended 31st January 2012  
Registered number 1992981



## **Directors' report and financial statements**

### **Contents**

Directors' report	2
Directors' responsibilities statement	4
Independent auditors' report to the shareholders of Nestor Healthcare Group Limited	5
Income statement	7
Statement of comprehensive income	8
Statement of changes in equity	8
Balance sheet	9
Cash flow statement	10
Notes to the financial statements	11

## Directors' report

The directors are pleased to present their report and the audited financial statements for the 13 month period ended 31st January 2012, the accounting year end having been changed to align with that of Acromas Holdings Limited, which has been the ultimate holding company since 1<sup>st</sup> February 2011. The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

### Principal activities, change in ultimate parent undertaking and name change

Nestor Healthcare Group Limited ("the Company") is an intermediate holding company for those companies within the healthcare division of the Saga group whose principal activities are the provision of services to the healthcare and social care markets. The Company does not trade in its own right. Prior to 1<sup>st</sup> February 2011, the Company, then known as Nestor Healthcare Group plc, was the ultimate parent undertaking of this group of companies and was a listed company quoted on the London Stock Exchange. On that date, all of the issued share capital of the Company was acquired by Saga Group Limited, followed on 3<sup>rd</sup> February 2011 by delisting from the Stock Exchange. Finally the Company was re-registered as a private limited company, this change being effected as from 14<sup>th</sup> April 2011.

Saga Group Limited is a subsidiary of Acromas Holdings Limited. The ultimate holding company of the Company has therefore been Acromas Holdings Limited with effect from 1<sup>st</sup> February 2011.

### Business review, results and dividends

Since the acquisition of the Company's issued share capital on 1<sup>st</sup> February 2011 the Company has acted as an intermediate holding company for those companies within Saga's healthcare division.

The loss attributable to shareholders disclosed in the income statement was £(3,545,000) (year to 31<sup>st</sup> December 2010: loss of £(805,000)). The loss incurred in the period primarily relates to exceptional costs associated with the acquisition by Saga.

A second interim dividend of £2,824,000 was paid to shareholders on 21st January 2011 having been approved by directors on 3rd December 2010. Dividends both declared and paid during the year ended 31<sup>st</sup> December 2010 had been £3,273,000.

### Directors

J Ivers and M A Ellis served as directors throughout the period.

J L Rennocks, I R Dye and Sir Andrew Foster all resigned as directors on 1<sup>st</sup> February 2011.

S M Howard, a director of both Saga Group Limited and Acromas Holdings Limited, was appointed as a director on 1<sup>st</sup> February 2011.

### Directors' interests

The interests of directors in the share capital of the Company were as shown in the table below.

	Ordinary shares		Share Option Plan 2002		Performance Share Plan 2006		SAYE Scheme	
	31 01 12	31 12 10	31 01 12	31 12 10	31 01 12	31 12 10	31 01 12	31 12 10
Roger Dye	-	150,000	-	-	-	-	-	35,665
Martyn Ellis	-	47,292	-	297,943	-	904,275	20,814	20,814
Sir Andrew Foster	-	87,957	-	-	-	-	-	-
John Rennocks	-	437,791	-	-	-	-	-	79,361
John Ivers	-	-	-	249,238	-	724,419	46,399	46,399
Stuart Howard	-	-	-	-	-	-	-	-

On 1<sup>st</sup> February 2011 the issued shares were acquired by Saga Group Ltd, and the share awards under both the Share Option Plan 2002 and the Performance Share Plan 2006 vested, the shares so issued also then being acquired by Saga Group Limited. The options held by J Ivers and M A Ellis under the Save As You Earn Scheme have not yet vested, and will vest in July 2012 and July 2013 respectively. Following their resignations as directors, J L Rennocks and I R Dye exercised SAYE options over 31,851 shares at 19.72 pence and 7,467 shares at 43.60 pence, respectively, during the period ended 31<sup>st</sup> January 2012, these shares were then immediately acquired by Saga Group Limited at 110 pence per share.

In the period ended 31<sup>st</sup> January 2012 S M Howard had no interest in the share capital of the Company.

**Country of incorporation**

The Company is incorporated in Great Britain and registered in England and Wales.

**Charitable and political donations**

No charitable or political donations were made during the period (year to 31<sup>st</sup> December 2010: £nil).

**Registered office**

On 17<sup>th</sup> March 2011 the Company changed the address of its registered office from Beaconsfield Court, Beaconsfield Road, Hatfield, Hertfordshire, AL10 8HU to Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE, this being the registered office of its ultimate holding company Acromas Holdings Limited.

**Company Secretary**

Consequent upon the acquisition of Nestor Healthcare Group plc by Saga Group Limited, David Collison resigned as Company Secretary on 1<sup>st</sup> February 2011 and was replaced by John Davies from the same date.

**Financial instruments**

The Company's use of financial instruments is described within note 12 to the financial statements.

**Directors' responsibilities to the auditors regarding the financial statements**

Each person who is a director at the date of approval of this directors' report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 24 July 2012 and signed on its behalf by



**John Davies**

Company Secretary  
Nestor Healthcare Group Limited

Registered number 1992981

## **Directors' responsibilities statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 auditors' report to the shareholders of Nestor Healthcare Group Limited**

We have audited the financial statements of Nestor Healthcare Group Limited for the period ended 31 January 2012 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor*

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### *Opinion on financial statements*

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 January 2012 and of the Company's loss for the period then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

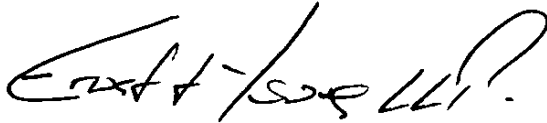
### *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

*Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Benjamin Gregory (senior statutory auditor)  
For and on behalf of Ernst & Young LLP, statutory auditor  
London  
United Kingdom

*25 July* 2012

## Income statement

for the 13 months ended 31st January 2012

	Notes	13 months to 31 01 12 £'000	2010 £'000
<b>Administrative expenses</b>		<b>(4,048)</b>	<b>(215)</b>
<b>Operating loss</b>		<b>(4,048)</b>	<b>(215)</b>
Finance expense	3	(92)	(590)
<b>Loss before taxation</b>		<b>(4,140)</b>	<b>(805)</b>
Tax credit	4	595	-
<b>Loss for the period attributable to owners of the Company</b>		<b>(3,545)</b>	<b>(805)</b>

Comparative numbers are shown for the year ended 31st December 2010

The notes on pages 11 to 20 form an integral part of these financial statements



## Statement of comprehensive income

for the 13 months ended 31st January 2012

	13 months to 31 01 12 £'000	2010 £'000
Loss for the period attributable to owners of the Company	(3,545)	(805)
<b>Total comprehensive expense for the period attributable to owners of the Company</b>	<b>(3,545)</b>	<b>(805)</b>

## Statement of changes in equity

for the 13 months ended 31st January 2012

	Share capital £'000	Share premium account £'000	Share payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1st January 2010	11,285	71,440	1,926	57,594	142,245
Total comprehensive expense for the year	-	-	-	(805)	(805)
Dividends payable to equity shareholders	-	-	-	(6,097)	(6,097)
Issue of shares	9	31	-	-	40
Increase in share payment reserve	-	-	473	-	473
At 31st December 2010 and 1st January 2011	11,294	71,471	2,399	50,692	135,856
Total comprehensive expense for the 13 months	-	-	-	(3,545)	(3,545)
Issue of shares	571	473	-	-	1,044
Increase in share payment reserve	-	-	910	-	910
At 31st January 2012	11,865	71,944	3,309	47,147	134,265

The notes on pages 11 to 20 form an integral part of these financial statements

## Balance sheet

as at 31st January 2012

	Notes	31 01 2012 £000	31 12 2010 £000
<b>Non-current assets</b>			
Investments	6	112,571	111,661
Deferred tax	7	2	-
<b>Current assets</b>		<b>112,573</b>	<b>111,661</b>
<b>Current assets</b>			
Trade and other receivables	8	21,680	37,970
Cash and cash equivalents	11	13	168
<b>Current assets</b>		<b>21,693</b>	<b>38,138</b>
<b>Current liabilities</b>			
Trade and other payables	9	(1)	(119)
Dividend payable	9	-	(2,824)
<b>Current liabilities</b>		<b>(1)</b>	<b>(2,943)</b>
<b>Net current assets</b>		<b>21,692</b>	<b>35,195</b>
<b>Total assets less current liabilities</b>		<b>134,265</b>	<b>146,856</b>
<b>Non-current liabilities</b>			
Borrowings - loans	10	-	(11,000)
<b>Net assets</b>		<b>134,265</b>	<b>135,856</b>
<b>Equity</b>			
Called up ordinary share capital	13	11,865	11,294
Share premium account	14	71,944	71,471
Share payment reserve	14	3,309	2,399
Retained earnings	14	47,147	50,692
<b>Equity shareholders' funds</b>		<b>134,265</b>	<b>135,856</b>

The notes on pages 11 to 20 form an integral part of these financial statements

The financial statements on pages 7 to 20 were approved by the Board on 24 July 2012 and were signed on its behalf by

S M Howard



Nestor Healthcare Group Limited  
Company registration number 1992981

## Cash flow statement

for the 13 months ended 31st January 2012

	13 months to 31 01 12 £000	2010 £000
<b>Operating activities</b>		
Cash generated from operations (note 15)	12,792	4,631
Finance charges paid - derivative financial instruments	-	(2,353)
Finance charges paid - other	(167)	(293)
<b>Net cash generated from operating activities</b>	<b>12,625</b>	<b>1,985</b>
<b>Financing activities</b>		
Issue of ordinary share capital (notes 13 and 14)	1,044	40
Decrease in loans from banks	(11,000)	-
Equity dividends paid to shareholders (note 5)	(2,824)	(3,273)
<b>Net cash used in financing activities</b>	<b>(12,780)</b>	<b>(3,233)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(155)</b>	<b>(1,248)</b>
Cash and cash equivalents at the beginning of the period	168	1,416
Net decrease in cash and cash equivalents	(155)	(1,248)
<b>Cash and cash equivalents at the end of the period</b>	<b>13</b>	<b>168</b>

The notes on pages 11 to 20 form an integral part of these financial statements

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 1 Basis of preparation

The Company financial statements have been prepared by the directors in accordance with those International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations (SICs and IFRICs) which have been adopted by the European Commission and endorsed for use in the EU (collectively "Adopted IFRS")

These financial statements have been prepared under the historical cost convention other than for the valuation of certain financial instruments

The financial statements have been prepared in pounds sterling which is the functional currency of the Company

The Company has taken advantage of the exemption from preparing consolidated financial statements as at 31st January 2012 it was a wholly owned subsidiary of its ultimate parent Acromas Holdings Limited. This represents a change from the previous period in the year ended 31st December 2010 the Company was publicly held and accordingly prepared consolidated financial statements

#### Accounting reference date

The accounting reference date of the Company has been changed from 31st December to 31st January. These financial statements are accordingly presented for the 13 months to 31st January 2012, whereas comparative figures for the prior period are presented for the 12 months to 31st December 2010, and may not therefore be comparable. The accounting reference date was changed to align with that of Acromas Holdings Limited, which has been the ultimate holding company since 1st February 2011.

The principal accounting policies are set out below

#### Going concern

The Company was acquired by Saga Group Limited ("Saga") on 1st February 2011. The directors of Saga have since confirmed that they intend to ensure that Saga's subsidiaries are able to meet their obligations to third parties and to other subsidiaries at all times. The Company understands that Saga and its ultimate parent Acromas Holdings Limited have and will have for the foreseeable future sufficient funds available to them to be able to honour this intention should the need ever arise.

For these reasons, the directors continue to adopt the going concern basis in preparing the accounts.

#### Estimates and judgements

The preparation of accounts in accordance with Adopted IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reported period. These estimates are based on historical experience and various other assumptions that management and directors believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Areas comprising critical judgements that may significantly affect the Company's financial position are valuation of deferred tax assets and investments as discussed in the respective notes to the financial statements.

#### Adoption of new and revised standards

In the current period the Company has adopted IAS32 "Classification of Rights Issues" (amendment), IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures", 2010 improvements to IFRSs, IAS 24 "Related Party Disclosures" (amendment), and IFRIC 14 "Prepayments of a Minimum Funding Requirement" (amendment).

None of these have had a material impact on the results or financial position of the Company.

At the year end, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IAS 1 "Presentation of Items of Other Comprehensive Income" (amendment)  
IAS 12 "Deferred Tax: Recovery of Underlying Assets" (amendment)  
IAS 19 "Employee Benefits" (revised)  
IAS 27 "Separate Financial Statements" (revised)  
IAS 28 "Investments in Associates and Joint Ventures" (revised)  
IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" (amendment)  
IFRS 10 "Consolidated Financial Statements"  
IFRS 11 "Joint Arrangements"  
IFRS 12 "Disclosure of Interests in Other Entities"  
IFRS 13 "Fair Value Measurement"  
IFRS 7 "Disclosures - Transfer of Financial Assets" (amendment)  
IFRS 9 "Financial Instruments" (issued in 2009 and 2010)

The directors review newly issued standards and interpretations in order to assess the impact on the financial statements of the Company in future periods.

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 2 Accounting policies

#### Finance income and expense

Borrowing costs are recognised in the income statement in the period in which they are incurred

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the asset's net carrying amount. Dividend income from investments is recognised when shareholders' rights to receive payment have been established

#### Corporation tax

The amount included in the income statement is based on pre-tax reported profit or loss and is calculated taking into account temporary differences and the likelihood of realisation of deferred tax assets and liabilities. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

#### Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis

#### Investments

Investments in subsidiary undertakings are held at original cost less any provision for impairment

#### Impairment

At each balance sheet date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately

#### Cash and cash equivalents

Cash and cash equivalents comprise balances at banks that are not capable of being offset against overdrafts or other bank borrowings under group overdraft arrangements, together with balances of cash in hand

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 2 Accounting policies continued

#### Financial Instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

Financial assets are classified as either financial assets "at fair value through profit or loss" (FVTPL) or "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Financial assets are classified as FVTPL where the financial asset is held for trading or is designated as FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in finance income or expense in the income statement. The net gain or loss recognised in the income statement incorporates any interest earned on the financial asset.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets other than FVTPL are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recorded in the income statement within administration expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Company has not classified any of its financial assets as held to maturity or available for sale.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities are classified as FVTPL where the financial liability is held for trading. A financial liability is classified as held for trading if it has been incurred principally for the purpose of disposal in the near future or it is a derivative that is not designated and effective as a hedging instrument. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in finance income or expense in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

The Company has not designated any financial asset or liability as being FVTPL.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Unless otherwise indicated, the carrying amounts of both financial assets and financial liabilities held by the Company are reasonable approximations of their respective fair values (note 12).

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares in issue are classified as equity instruments. For the purposes of the disclosures given in note 13, the Company considers its capital to consist of ordinary share capital, share premium reserve, share payment reserve, other reserves and retained earnings.

#### Share schemes and share-based payments

The Company has issued equity-settled share-based payments to certain employees of a subsidiary company under the terms of various share and share option schemes, including long-term incentive plans and Save As You Earn share option schemes. These equity-settled share-based payments are measured at fair value as at the date of grant. The fair value so determined at the grant date has been expensed on a straight-line basis over the vesting period in the financial statements of the subsidiary company.

The liability to the Company in respect of these shares is accounted for as a capital contribution made to the subsidiary company by the Company, and as such is recognised as an increase in investments in the balance sheet of the Company.

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 3 Finance income and expense

	13 months to 31 01 12	2010
	£000	£000
<b>Finance expense</b>		
Interest payable on bank loans and overdrafts	(92)	(482)
Fair value loss relating to interest rate derivative contracts	-	(108)
<b>Total finance expense</b>	<b>(92)</b>	<b>(590)</b>

### 4 Taxation

	13 months to 31 01 12	2010
	£000	£000
UK corporation tax at 26.45% (2010: 28.00%)	366	-
Tax credit relating to prior periods	227	-
<b>Current tax credit</b>	<b>593</b>	<b>-</b>
Deferred tax credit for the period	2	-
<b>Deferred tax charge</b>	<b>2</b>	<b>-</b>
<b>Tax credit for the period</b>	<b>595</b>	<b>-</b>

Deferred tax has been calculated at a rate of 25.00% this being the UK rate of corporation tax enacted at 31st January 2012

	13 months to 31 01 12	2010
	£000	£000
Loss at the average standard rate of corporation tax at 26.45% (2010: 28.00%)	1,094	227
Items not deductible	(726)	-
Tax credit relating to prior periods	227	(227)
<b>Tax credit for the period</b>	<b>595</b>	<b>-</b>

### 5 Dividends

	13 months to 31 01 12	2010
	£000	£000
<b>Equity dividends payable</b>		
Ordinary shares: final dividend paid for the previous year: nil per 10p share (2010: 1.65p)	-	1,862
Ordinary shares: interim dividend paid for the current year: nil per 10p share (2010: 1.25p)	-	1,411
	-	3,273
Ordinary shares: second interim dividend declared for the current year: nil per 10p share (2010: 2.50p)	-	2,824
<b>Total dividends payable on equity shares: nil per 10p share (2010: 5.40p per 10p share)</b>	<b>-</b>	<b>6,097</b>

The second interim dividend for the year ending 31st December 2010 of 2.50p per 10p share (cost £2,823,532) was approved by directors on 3rd December 2010 and was paid on 21st January 2011 to shareholders who were on the register at 24th December 2010

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 6 Investments

	Investment in subsidiaries 31 01 2012 £000
At 1st January 2011	111 661
Capital contributions for share-based payments	910
At 31st January 2012	112 571

The directors carry out reviews of the investments on an annual basis to consider whether events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the investments is estimated as the higher of either the net selling price or value-in-use. The resultant loss (the difference between the carrying amount and the recoverable amount) would be recorded as a charge to the consolidated income statement.

Having evaluated the carrying value of the investments in this way, the directors have concluded that there is no indication that it may not be recoverable. The directors believe that this view is supported by consideration of the fair value less costs to sell, this value being derived from the consideration for the issued shares of the Nestor Healthcare group paid by Saga Group Limited in February 2011.

	Investment in subsidiaries 2010 £000
At 1st January 2010	111 188
Capital contributions for share-based payments	473
At 31st December 2010	111,661

Except where stated, the following subsidiary companies are wholly-owned including 100% voting rights, operate in the United Kingdom and are registered in England and Wales.

#### Principal undertakings

Undertaking	Business
Nestor Primcare Services Limited <sup>1</sup>	UK healthcare services in primary and social care
Primcare Oral Health Services Limited <sup>1</sup>	Dental health services
Helenus Limited	Intermediate holding company

<sup>1</sup> The interest of Nestor Healthcare Group Limited is held through intermediate holding companies.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings is available at the Company's registered office.

### 7 Deferred tax assets

	2012 £000	2010 £000
Timing differences	2	-
Total recognised deferred tax assets	2	-

The Company also has not provided for potentially recognisable deferred tax assets of £28 000 (2010: £nil) in relation to losses and other deductions of £110 000 (2010: £nil) which are currently not expected to reverse. All other potentially recognisable tax assets have been recognised and included within non-current assets.

Legislation was introduced in Finance Act 2011 to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012. The effect of this reduction is reflected in the deferred tax balance recorded on the balance sheet. Since the balance sheet date, the UK government has substantively enacted new legislation to reduce the corporation tax rate further to 24% with effect from 1 April 2012 and announced its intent to legislate to reduce the rate further by 1% per annum to 22% with effect from 1 April 2014. The directors estimate that the impact of these changes on the Company's deferred tax asset will be immaterial.

### 8 Trade and other receivables

	2012 £000	2010 £000
Amounts owed by Group companies	21,680	37 546
Prepayments	-	424
Trade and other receivables due within one year	21,680	37 970

### 9 Current liabilities - falling due within one year

	2012 £000	2010 £000
Trade payables	-	37
Dividend payable	-	2 824
Accruals and deferred income	1	82
Total current liabilities	1	2 943



## Notes to the financial statements

for the 13 months ended 31st January 2012

### 10 Non-current liabilities - amounts falling due after more than one year

	2012 £000	2010 £000
Bank loans (note 11)	-	11 000
<b>Total non-current liabilities</b>	<b>-</b>	<b>11 000</b>

### 11 Net borrowings

	Interest rates	2012 £000	2010 £000
Secured			
Bank loans - repayable between two and five years	variable	-	(11 000)
<b>Total borrowings</b>		<b>-</b>	<b>(11 000)</b>
Cash at bank and in hand		13	168
<b>Net borrowings</b>		<b>13</b>	<b>(10 832)</b>

### 12 Financial instruments

The Company has exposure to certain risks arising from its use of financial instruments, these being categorised as market risk, credit risk, liquidity risk and capital risk. This note describes the financial instruments used, their values, the risks to which the Company is exposed and the Company's objectives, policies and processes for measuring and managing them.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Company, from which financial instrument risk arises, are receivables due from other Group companies, cash at bank and bank loans. For all of these financial instruments, it has been determined that the fair value and carrying value are materially the same, fair value being the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

The directors have overall responsibility for the determination of the Company's risk management objectives and policies, the overall objective being to set policies that seek to reduce risk as far as possible without unduly affecting the Company's flexibility and competitiveness.

A summary of financial assets and liabilities (which taken together comprise the financial instruments), measured both at carrying value and fair value (which are materially the same) is as follows:

	31 01 2012 £000	31 12 2010 £000
Financial assets - cash at bank and in hand - sterling	13	168
Financial assets - amounts due from Group undertakings	21,680	37 546
<b>Financial assets - loans and receivables</b>	<b>21,693</b>	<b>37 714</b>
<b>Total financial assets</b>	<b>21,693</b>	<b>37 714</b>
Long-term financial liabilities - bank loans	-	(11 000)
<b>Total financial liabilities</b>	<b>-</b>	<b>(11 000)</b>
<b>Net financial assets</b>	<b>21,693</b>	<b>26 714</b>

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

No financial assets held have been pledged as collateral for liabilities or contingent liabilities.

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 12 Financial instruments continued

#### Market risk

Market risk represents the potential for changes in foreign exchange rates and interest rates to affect the Company's profit and the value of its financial instruments. In the period ended 31st January 2012 and also the year ended 31st December 2010 the Company had no foreign exchange exposures at any time. The Company was exposed to interest rate risk in relation to its bank loans in the year ended 31st December 2010 and also in the first few weeks of the period ended 31st January 2012. However the Company's bank borrowings were refinanced by Saga Group Limited in February 2011 and the Company has accordingly not carried any interest rate risk since that time.

#### Credit risk

The Company is exposed to credit risk only in respect of its receivable due from other group companies. Management believe that there is no credit risk provision or impairment required in relation to these intercompany receivables.

No impairment losses were recorded in the period ended 31st January 2012 (year to 31st December 2010: £nil).

An analysis of trade and other receivables is contained in note 4.

#### Liquidity risk

Liquidity risk reflects the risk that the Company will have insufficient resources to meet its financial obligations as they fall due. As described above, the Company has not held any interest bearing cash balances or borrowings since February 2011, as all funding has been provided by other group companies since that date. The directors are of the opinion that such funding will continue to be available and that ongoing liquidity risk will therefore be mitigated or avoided by the Company.

#### Capital risk

The Company's primary objective in managing its capital was to ensure its continued ability to preserve it.

### 13 Share capital

Authorised	31 01 12 Number	31 01 12 £000	31 12 10 Number	31 12 10 £000
Ordinary shares of 10p each				
At 1st January 2011 and 31st January 2012	200,000,000	20,000	200,000,000	20,000
Allotted, issued and fully paid	31 01 12 Number	31 01 12 £000	31 12 10 Number	31 12 10 £000
Ordinary shares of 10p each				
At the beginning of the period	112,941,293	11,294	112,851,815	11,285
Issued during the period	5,710,241	571	89,478	9
At the end of the period	118,651,534	11,865	112,941,293	11,294

The ordinary shares in issue are considered by the Company to be capital in nature. The Company is not subject to any externally imposed capital requirements.

### 14 Share premium account and reserves

	Share premium account £000	Share payment reserve £000	Retained earnings £000
At 1st January 2011	71,471	2,399	50,692
Share-based payments	-	910	-
Issue of shares	473	-	-
Loss for the year	-	-	(3,545)
At 31st January 2012	71,944	3,309	47,147
	Share premium account £000	Share payment reserve £000	Retained earnings £000
At 1st January 2010	71,440	1,926	57,594
Share-based payments	-	473	-
Issue of shares	31	-	-
Loss for the year	-	-	(805)
Dividends payable to equity shareholders	-	-	(6,097)
At 31st December 2010	71,471	2,399	50,692

Retained earnings of the Company as at 31st January 2012 comprise £4,147,000 that is considered to be distributable (2010: £7,692,000) and £43,000,000 that is considered to be non-distributable (2010: £43,000,000). Non-distributable retained earnings represents dividends received from a subsidiary company that could not be classed as qualifying consideration.

All categories of reserve disclosed above are considered by the Company to be capital in nature. The Company is not subject to any externally imposed capital requirements.

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 15 Note to the cash flow statement

	13 months to 31 01 12	2010
	£000	£000
<b>Reconciliation of loss to cash generated from operations</b>		
Loss after tax for the period	(3,545)	(805)
Adjustments for		
Tax credit	(595)	-
Finance expense	92	590
Changes in working capital		
Decrease in trade and other receivables	15,768	4,613
Increase in trade and other payables	1,072	233
<b>Cash generated from operations</b>	<b>12,792</b>	<b>4 631</b>
	13 months to 31 01 12	2010
	£000	£000
<b>Reconciliation of net cash flow to movement in net debt</b>		
Decrease in cash and cash equivalents	(155)	(1 248)
Decrease in loans from banks	11,000	-
	10,845	(1 248)
Net debt at the beginning of the period	(10,832)	(9 584)
<b>Net cash/(debt) at the end of the period</b>	<b>13</b>	<b>(10 832)</b>

### 16 Employees and directors

The Company had no employees (2010 nil) during the period

S M Howard was remunerated by Saga Group Limited a fellow subsidiary of the ultimate holding company Acromas Holdings Limited. He did not receive any emoluments during the year in respect of his service as a director of the Company (year to 31st December 2010 £nil) and it would not be practicable to apportion the emoluments between his services as a director of the Company and services as director of other group companies. The Company has not been recharged any amount for the emoluments of this director (year to 31st December 2010 £nil).

J Ivers and M A Ellis were remunerated by Nestor Primecare Services Limited a fellow subsidiary of the ultimate holding company Acromas Holdings Limited. They did not receive any emoluments during the year in respect of their services as directors of the Company (year to 31st December 2010 £nil) and it would not be practicable to apportion the emoluments between their services as directors of the Company and services as directors of other group companies. The Company has not been recharged any amount for the emoluments of these directors (year to 31st December 2010 £nil).

All other managers regarded as being key managers were employed during the period by another subsidiary of the group.

### 17 Audit fees

Audit fees of £500 have been borne and paid by other group companies.

No fees were paid by the Company to the Group's auditors for non-audit services in the period (year to 31st December 2010 £nil).

### 18 Related party transactions

There have been no related party transactions in the year.

Amounts outstanding at 31st December 2010 and 31st January 2012 between the Company and other group companies are disclosed in note 9.

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 19 Share option schemes

The following table sets out options in issue under the various Company schemes at the beginning and end of the period and movements during the period. Share options in issue expire after a certain time and exercise dates vary. Exercise rights are subject to the rules of the schemes and share options in issue are not normally exercisable until the expiry of a period of at least three years. In addition achievement of performance targets is normally required in all schemes except the SAYE Scheme.

All options outstanding under the Share Option Plan 2002 vested on 1st February 2011 as a consequence of the acquisition of the Company by Saga Group Limited. All options outstanding under CSOP 1996 and ESOP 1996 Share Option Plan 2002 lapsed on that same date as a result of the option exercise price being higher than the acquisition price payable by Saga Group Limited.

1,683,232 options (year to 31st December 2010: 89,478) were exercised during the period at an average exercise price of 38.11p (2010: 44.35p). The weighted average share price for share options exercised during the period was 109.98p (2010: 107.82p).

The number of options that had vested and were exercisable at 31st January 2012 was nil (31st December 2010: 54,527). The average exercise price of the vested and exercisable options as at 31st December 2010 was 241.75p.

The average exercise price for grants made in the year to 31st December 2010 was 49.36p.

The average exercise price of grants that lapsed in the period to 31st January 2012 was 76.12p (2010: 141.34p).

The options outstanding at 31st December 2010 had a weighted average remaining contractual life of 4.4 years.

Movements in the period to 31st January 2012 were as follows:

Date of issue	Adjusted option price pence	In issue 1st Jan 2011	Granted in the period	Exercised in the period	Lapsed in the period	In issue 31st Jan 2012
<b>Company Share Option Plan 1996</b>						
March 2001	509.74	4,104	-	-	(4,104)	-
		4,104	-	-	(4,104)	-
<b>Employee Share Option Scheme 1996</b>						
March 2001	509.74	10,897	-	-	(10,897)	-
		10,897	-	-	(10,897)	-
<b>Share Option Plan 2002</b>						
April 2009	25.67	746,398	-	(746,398)	-	-
April 2010	54.50	615,988	-	(615,988)	-	-
August 2010	78.94	21,264	-	(21,264)	-	-
		1,383,650	-	(1,383,650)	-	-
<b>Savings Related Share Option Scheme</b>						
May 2007	140.04	40,929	-	-	(39,526)	1,403
June 2008	41.40	215,181	-	(163,290)	(19,957)	31,934
April 2009	19.72	1,423,422	-	(124,075)	(95,796)	1,203,551
April 2010	43.60	647,054	-	(12,217)	(90,273)	544,564
		2,326,586	-	(299,582)	(245,552)	1,781,452
<b>Total</b>		3,725,237	-	(1,683,232)	(260,553)	1,781,452

## Notes to the financial statements

for the 13 months ended 31st January 2012

### 19 Share option schemes continued

Movements in the year to 31st December 2010 were as follows

Date of issue	Adjusted option price pence	In issue 1st Jan 2010	Granted in the year	Exercised in the year	Lapsed in the year	In issue 31st Dec 2010
<b>Company Share Option Plan 1996</b>						
May 2000	399 33	24 078	-	-	(24,078)	-
March 2001	509 74	4,104	-	-	-	4,104
		28,182	-	-	(24,078)	4,104
<b>Employee Share Option Scheme 1996</b>						
May 2000	399 33	19 028	-	-	(19 028)	-
March 2001	509 74	13 741	-	-	(2 844)	10 897
		32,769	-	-	(21,872)	10,897
<b>Share Option Plan 2002</b>						
July 2002	251 35	26 210	-	-	(26 210)	-
June 2003	256 98	68 876	-	-	(68 876)	-
November 2003	282 82	7 450	-	-	(7 450)	-
April 2009	25 67	777 883	-	(31,485)	-	746 398
April 2010	54 50	-	673 981	(57,993)	-	615 988
August 2010	78 94	-	21 264	-	-	21,264
		880 419	695 245	(89,478)	(102 536)	1,383,650
<b>Savings Related Share Option Scheme</b>						
April 2005	113 84	6 386	-	-	(6 386)	-
May 2007	140 04	70,849	-	-	(29 920)	40,929
June 2008	41 40	240 120	-	-	(24,939)	215,181
April 2009	19 72	1,548 691	-	-	(125,269)	1,423,422
April 2010	43 60	-	709,776	-	(62,722)	647,054
		1,866,046	709 776	-	(249,236)	2,326 586
<b>Total</b>		<b>2 807 416</b>	<b>1 405 021</b>	<b>(89,478)</b>	<b>(397 722)</b>	<b>3 725,237</b>

### 20 Share awards

Awards had been made to directors and certain senior managers in all years from 2006 to 2010 inclusive under the Performance Share Plan, the rules of which were adopted in April 2006

At 31st December 2010 there were awards outstanding for 4 027 009 shares under the Plan. All of these vested on 1st February 2011 consequent upon the acquisition of the Company by Saga Group Limited on that date. No further awards were made or will be made since that date.

Movements in the year to 31st December 2010 were as follows

Date of award	Share price at time of award pence	In issue 1st Jan 2010	Granted in the year	Vested in the year	Lapsed in the year	In issue 31st Dec 2010
March 2007	159 85	542 380	-	-	(542 380)	-
May 2008	52 00	1 025 854	-	-	(145 832)	880 022
September 2008	35 15	326 458	-	-	-	326 458
April 2009	25 67	1 692 668	-	-	(34 257)	1 658 411
April 2010	54 50	-	1 229,594	-	(106,212)	1 123,382
August 2010	78 94	-	38,736	-	-	38,736
<b>Total</b>		<b>3,587,360</b>	<b>1,268,330</b>	<b>-</b>	<b>(828,681)</b>	<b>4,027,009</b>

### 21 Immediate and ultimate parent undertaking

Throughout the year ending 31st December 2010 the Company was publicly held

On 1st February 2011 the entire issued share capital of the Company was acquired by Saga Group Limited and that company has from that date been the immediate parent company of the Company. Saga Group Limited is incorporated in Great Britain and registered in England and Wales. Also since that date the ultimate parent undertaking has been Acromas Holdings Limited which is also incorporated in Great Britain and registered in England and Wales and whose registered office is Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE.

### 22 Ultimate controlling party

Subsequent to the acquisition of the Company by Saga Group Limited on 1st February 2011 the directors consider the ultimate controlling party to be funds advised by Charterhouse General Partners, CVC Capital Partners and Permira Advisers acting in concert.