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Nestor Healthcare Group plc | Annual Report and Accounts 2009

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Our structure

Nestor Healthcare Group plc is an organisation dedicated to delivering services to the health and social care markets

We deliver managed services through our partner organisations and direct to individuals, focused on meeting a person's needs and thereby enhancing their wellbeing

Our emphasis on person-centred, effective solutions makes us a strong partner providing short-term or long-term health and social care for the community. Established in 1949, we employ a nationwide workforce, managed and deployed from our network of local offices.

Social Care describes the care of people, of all ages, which meets their common human needs to enable a certain quality of life. We deliver managed services to those in need of care at home in order to allow people to live a life of their choosing. The services are provided through Local Authorities, through Primary Care Trusts or direct to the individual.

- We deliver more than 8 million hours of care annually
- We provide care to over 15,000 individual service users supported by 9,000 care workers

Primary Care is usually the first point of contact for patients. Primary Care Trusts and Local Health Boards plan and commission healthcare services for their local communities. Successive governments' agendas continue to drive towards an environment of quality care and choice for all individuals.

- We are responsible for the healthcare of 12% of the UK's population outside of standard business hours
- We are the UK's largest provider of healthcare services to secure institutions and police forces

How we operate

Nestor trades nationwide through the following main business names

Goldsborough Home Care

Medico Home Care

Country Cousins

Patricia White's

Primecare

Primecare Forensic Medical

First Call

operating from locations throughout the UK

How we performed

- Group operating profit of £9.7m
- Social Care profits up 21%
- Primary Care contract retentions
- A strong start in GP led health centres
- Four year refinancing completed
- Year end net debt at £13.8m, gearing of 18%
- Full year dividend of 2.15p, up 43%

Chairman's statement

Introduction

Nestor has continued to make good progress during 2009 and it is pleasing to report results which are in line with expectations. In addition, the securing of a new four year banking facility has completed the rehabilitation of the Group's balance sheet, with borrowings at the end of 2009 less than £14m, compared to £58m two years ago.

Of particular note is the trading performance of Social Care where revenues in the second half of 2009 were more than 6% higher than in the previous year. As expected, profits in Primary Care were reduced in 2009, but the prospects continue to improve, particularly with regard to the new Equitable Access health centres, where the early results in terms of patient volumes and service feedback are excellent.

Based upon the results for 2009 and the improving outlook, the Board is recommending a final dividend of 1.65p per share, bringing the total for the year to 2.15p, compared to 1.50p in 2008, an increase of 43%.

Revenue and operating profit*

	2009 Revenue	2009 Operating profit	2008 Revenue	2008 Operating profit
Social Care	£107.0m	£10.3m	£104.5m	£8.5m
Primary Care	£45.0m	£2.5m	£49.3m	£4.3m
Corporate costs	–	£(3.1m)	–	£(3.3m)
Total	£152.0m	£9.7m	£163.3m	£12.8m

*Revenue and operating profit in 2008 is stated before exceptional charges of £7.5m (2009: £nil) and before the revenue and profit contribution from Carewatch, which was sold in October 2008. In this table and throughout the remainder of the Chairman's statement, Social Care results are stated excluding the revenue and profit contribution from Carewatch.

Social Care

Social Care had an excellent year with operating profit before exceptional charges increased by more than 20% to £10.3m, on revenues increased by 2.4% to £107.0m. The organic growth achieved, combined with the continued improvements in quality and efficiency, has led to another improvement in Social Care margin to 9.6%, from 8.1% last year.

The previous year, 2008, was one of consolidation and concentration on the quality of our Social Care business and included the closure or merger of a number of underperforming branches. This approach began to bear fruit in 2009 as, since the end of the first quarter, our business saw consistent month on month growth in the number of hours of care delivered. This increase has largely been driven by individual branches adding additional packages of care on the back of improved quality and closer working relationships with Local Authorities, supplemented by new contracts operating under multi-provider framework agreements rather than traditional 'block' contracts. There have been few significant tender processes in the last twelve months as Local Authorities with proven, reliable providers have tended not to embark on costly and time-consuming retendering exercises.

The measurement of quality is of crucial importance to Social Care providers, not least with the visibility of independent audit results through the Care Quality Commission website. At the end of the year in excess of 80% of Goldsborough/Medico branches are either rated 3-star or 2-star, defined as 'Excellent' or 'Good'. Having established a very effective platform, the management team will now begin to consider investment opportunities, most likely through bolt-on acquisitions, either to fill any remaining gaps in the network or to extend our capability in more specialist areas in homecare such as learning difficulties and mental health or more complex care services.

Our two privately funded homecare businesses, Country Cousins and Patricia White's, produced a robust performance with profits in line with last year, despite evidence that the recession did have some effect upon demand, with certain clients reducing their weekly hours.

This was offset by a successful programme of recruiting new clients, which will enable the excellent returns generated by these businesses to be maintained going forward

Primary Care

As forecast, Primary Care's revenue and operating profit show a reduction from the previous year following the loss of two out-of-hours contracts in 2008, where the PCTs reverted to an in-house solution. As we entered 2010, four such contracts were potentially due for renewal, two of these are to be extended for twelve months and a third has already been retained for a minimum of a further two years following a competitive procurement process. Key to retaining contracts is an ongoing focus on delivering an excellent service, with robust clinical governance retaining a high priority. The changing shape of the Primary Care market has not reduced the demand for out-of-hours services and the business has a number of opportunities, particularly in the West Midlands, which could deliver additional volume in the second half of 2010.

In 2009 we opened five new GP led health centres as part of the government's Equitable Access to Primary Care (EAPC) scheme. These contracts each operate for a five year term. The centres are open seven days per week, from 8am to 8pm. The first of our centres opened in Dudley in July, and the fifth, in Hereford, opened in December. The early indications are most encouraging for these centres with the expected volumes of walk-in patient attendances being significantly exceeded. Primecare will open its sixth EAPC health centre in April. Three of the schemes operate as a form of partnership either with local GPs or the local Foundation Trust and this partnership approach is seen as an increasingly influential element of the decision by PCTs in awarding contracts in all aspects of Primary Care provision.

Each of the EAPC contracts includes an element of revenue which depends on the achievement of a set of Key Performance Indicators (KPIs). In the early months of our service provision, Primecare has delivered a high level of performance against the respective PCTs' KPIs. Profits from the health centres in 2009 have been modest, given the timing of their opening, but they are expected to make a significant contribution from 2010 onwards.

Towards the end of 2009 we began tendering to provide new NHS dental services under the Department of Health's Dental Access Programme (DAP). The tender process is at an early stage but Primecare has already recorded its first success in this area and will open its first DAP practice in South Yorkshire in May 2010.

A further new business area being explored is the provision of end of life healthcare, with the prospect of the clinical expertise of Primecare being supported by our network of care workers from our Social Care business. The provision of such care at home is not only the most economic approach, but also meets the desire of many patients to retain an element of independence by remaining in their own homes.

Primecare's operations in prisons and other secure settings, and in support of police forces, continue to provide a steady source of income and profit. Whilst there continue to be opportunities for new business, particularly in the secure environment, the pace of development is currently slow.

Group results summary

	2009	2008
Revenue	£152 0m	£163 3m
Operating profit before exceptional charges	£9 7m	£12 8m
Exceptional charges	–	(£7 5m)
Operating profit	£9 7m	£5 3m
Other (losses)/gains – disposal of operations	£(0 3m)	£31 1m
Net finance expense	£(1 0m)	£(3 9m)
Fair value loss relating to derivative contracts	£(1 1m)	£(2 1m)
Profit before tax	£7 3m	£30 4m
Basic earnings per share	5 4p	26 9p

Included in the revenue and operating profit for 2008 are the revenue, £9 5m, and operating profit, £3 3m, of the Carewatch business for the nine months prior to its disposal on 3rd October 2008. Earnings per share for 2008 included the benefit of the Carewatch profits as well as the profit on disposal.

Bank facilities

In October, the Group successfully concluded discussions on renewed credit facilities with its bankers, Barclays and HSBC. The new facilities comprise a revolving credit facility of £25m with an additional £7 5m available for any performance bonds that might be required by Local Authorities. The key covenants are a debt to ebitda ratio of 2 5 times and interest cover of 5 times, both of which are expected to be comfortably complied with throughout the four year term of the agreement. The fact that we secured a four year extension with our existing banking partners, Barclays and HSBC, is testimony to their belief in the improving prospects for the Group.

Derivative contracts

The Group retains the two derivative contracts taken out in 2007 which fixed £60m of its borrowing in a range of interest rates between 4 5% and 7 0%. Continuing low interest rates have increased the liability under these contracts and at 31st December 2009 cancellation of the derivative contracts would have required a payment of £2 2m, payments having already been made during the year totalling £1 4m. The two contracts expire in October and November 2010, when their value will be nil.

Cash flow

Year end net borrowings were £13 8m (2008 £19 0m), resulting from a net inflow of £5 2m, a very pleasing performance. Cash flow from operations totalled £8 9m (2008 £10 9m), despite deficit reduction payments made to the two defined benefit pension schemes totalling £2 4m and payments of £1 4m under the derivative contracts described above. Cash flow has benefited from the resolution of a longstanding tax issue, which was resolved favourably during the year leading to a net corporation tax refund of £2 2m.

Taxation

The tax charge for the year was £1 2m (2008 £1 0k) equivalent to 16 2% of the profit before tax. This charge has benefited from credits from earlier years following the favourable resolution of the taxation issue referred to above. The tax charge for 2008 was minimal as the exceptional charges in that year were generally allowed for tax deduction and the profit on the sale of Carewatch did not result in a tax charge. With the resolution of these historic tax issues, the Group expects in future to pay a full tax charge.

Chairman's statement continued

Dividends

The Board is recommending a final dividend of 1.65p per share, bringing the total for the year to 2.15p, compared to 1.50p for 2008.

The final dividend will be paid on 11th June 2010 to shareholders on the register on 14th May 2010.

The final dividend for 2008 of 1.50p was for the full year as no interim dividend had been paid due to the timing of the completion of the disposal of Carewatch.

Chief Executive role

I have fulfilled the additional role of Chief Executive since April 2008, which has been appropriate as the managing directors of Social Care and Primary Care were new to their roles. The Board has agreed that I will continue in this role until approximately 30th June 2010 and a recruitment process for the Chief Executive has now commenced. Once an appointment has been made I will revert to the role of non-executive Chairman.

Outlook

The momentum of Social Care's volume growth has been sustained in the early months of 2010 and I expect this to continue despite the inevitable increased pressures on Local Authority budgets. In addition, the management team are ready to augment the business with a small number of carefully selected bolt-on acquisitions, a strategy the Board is keen to support. Longer term the demand for Social Care, particularly supporting people in their own homes, will be driven by the continuing demographic trends and the need for Local Authorities to find the most effective and economic service solution.

There is little sign at the moment that the impending election is causing a hiatus in procurement processes as our Primary Care team remain busy in pursuing opportunities in our traditional out-of-hours business as well as health and GP centres and under the Dental Access Programme. The recent extensions of current contracts, and our improving record in winning new business, point to an increasingly positive outlook for Primary Care.

John Rennocks
Chairman

11th March 2010

Independent directors' statement

In April 2008 the Board decided to appoint John Rennocks as Acting Chief Executive in addition to his continuing responsibilities as Chairman of the Board. The Board recognised at that time and continues to recognise that this is not consistent with accepted best practice, but believed and continues to believe that it is in the best interests of the Group and its shareholders.

The Board has agreed with John Rennocks that he will continue in this dual role until approximately 30th June 2010. The Board's Nomination Committee has recently initiated a recruitment process for a new Chief Executive to succeed Mr Rennocks. Shareholders will be kept apprised of this process via the Annual General Meeting statement to be released on 7th May 2010 and any other statements the Company makes to shareholders.

Sir Andrew Foster
Senior Independent
Director

Roger Dye
Independent Director

11th March 2010

Operating review

Social Care

Nestor's Social Care business comprises a wide range of locally recognised brands delivering domiciliary care and support to local authority service users, self-funding clients and people in receipt of personal budgets. We operate through a national network of over 100 branches with approximately 85% of the domiciliary care activity generated through Local Authority contracts, and the remaining 15% from the provision of home care and support to private clients. We work with over 75% of Local Authorities across England, Scotland and Wales. We are a business with a strong local focus where efficiency is achieved through national scale sharing best practice and with all staff working with a common mission.

'To be the leading UK provider of home care and support dedicated to high quality services to all our clients, partners and customers'

Financial performance

Despite constrained Local Authority spending, Social Care delivered a significant year on year operating profit improvement of more than 20% to £10.3m, an excellent result. During 2009, the division supplied almost 9.2 million hours of home care and support, an increase of 2.4% compared to the prior year. The majority of this growth was achieved in the second half of the year, with revenues increased by 6.6%, as the focus on quality and developing closer relationships with our customer base has paid off.

The operating profit margin of 9.6% compares to 8.1% in 2008. Our contracts with Local Authorities typically refer to an annual price increase based upon inflation, but also inevitably reflect the funding position of the individual Authority. Overall we achieved an average price increase of approximately 2%, which was a satisfactory outcome. Management at all levels have remained vigilant on cost control with levels of overhead showing a material reduction from the previous year. This has been helped by a lessening of the pressure on care worker recruitment, whilst the growth in the volume of hours has provided existing and new carers with the opportunity to work longer hours if they wish.

Domiciliary care

Goldsborough Home Care and Medico Home Care are our main brands delivering UK-wide Local Authority outsourced domiciliary care, and we also utilise a number of other brands due to their strong local presence or the more specialist nature of their activity. A large proportion of our customers are older people living in their own homes but our businesses are increasingly involved in the provision of more diverse and complex services.

Many of our Goldsborough/Medico branches, as well as other brands, deliver care and support to families, often in supporting children with learning or physical disabilities as well as where a child's carer has social care needs such as drug or alcohol dependency. Additionally we provide mental health services for people who may have longstanding or transient mental health problems, including people who are subject to guardianship and supervision orders under the Mental Capacity Act.

Our domiciliary care brands also continue to strengthen their position within Extra Care Housing settings by delivering services in five schemes across the country. Our ability to work in partnership has led to us becoming the provider of choice this year to explore a new innovative model of extra care in partnership with a Housing Association and Local Authority, with a phased anticipated rollout later in 2010 and 2011.

Learning, physical and mental health disability
Our specialised learning disability businesses, New Horizons, Pathos and Complete Homecare, have a proven track record of delivering high quality services for more than ten years. These teams provide community support to people who have mild, moderate or severe learning disabilities and additional complex needs such as Autism, Asperger's Syndrome or compounding mental ill health. Some of this support takes place in the individual's home and a significant proportion is within supported living schemes through contracts with Local Authorities and NHS PCTs. For service users who have been described as having 'challenging behaviour' our services are strictly related to the needs of the individual. They focus on promoting positive behaviour by the individual so that they are more able to live within their chosen community. In addition, we provide support to help those people with dementia or nearing the end of their lives remain in their own home for more complex continuing care services.

Private client market

The private client market continues to provide growth opportunities, not just for Patricia White's and Country Cousins, both of which work exclusively for private clients, but also for our other Social Care brands working with people in control of their personal care budgets. We continue to work hard to increase the number of private clients and are seeking innovative ways of attracting new business and providing a dedicated, personalised service.

Established in 1959, Country Cousins has built its reputation by ensuring that each client is cared for by skilled carers and homemakers known as 'Cousins' who are recruited to the highest standards and carefully matched to the needs of the client. Country Cousins offers a range of care packages tailored to the individual client's needs and expectations.

Patricia White's agency celebrated its 20th anniversary this year of providing first class care to private clients in their own homes. Patricia White's has national coverage, but with a high proportion of clients in London and the South East. Many of our carers are from overseas, particularly Australia, New Zealand and South Africa, and most are registered nurses in their home countries.

Operating review continued

Social Care continued

Quality

As a leading national provider of home care and support, our reputation is built on being able to deliver consistently high quality, reliable, innovative and flexible services, designed to meet the individual's expectations and aspirations, as well as their needs. Our approach to quality is linked to clear key performance indicators and supported by robust internal audit processes. These are ingrained across our business processes and have resulted in our branches meeting and exceeding regulatory requirements with the large majority of our 100 branches rated 'Good' or 'Excellent' by the English, Scottish or Welsh Care Commissions. Another important measure is the feedback from service users. Based on surveys conducted throughout 2009, 99% of service users, across all of our UK operations, were very satisfied with our services.

Recruitment

Our businesses worked hard in 2009 to ensure we continue to develop our recruitment pipeline, which has seen a 35% increase. In addition, and just as importantly our staff turnover remains lower than the industry average. This can be attributed to the investment in supporting and valuing our workforce in terms of training, performance appraisals and work-based supervision, as well as improved recruitment techniques.

Our Social Care business includes an in-house training company and assessment centre, which has to date focused on the provision of training services and qualifications within the Adult Care and Childcare sectors. In 2009 the business took on the management of the National Learning Skills Council contract, which has enabled it to deliver fully funded NVQ and Skills for Life qualifications to many Nestor branches. With this growth in activity this business, currently named Suffolk NVQ, will soon be rebranded as Nestor Professional Development Services.

Being able to complete an individual's recruitment as a care worker to enable them to begin work more quickly can be a key differentiator in their choice of employer.

Every care worker recruit is subject to a criminal record check, which in the past has taken many weeks to complete. Nestor Criminal Records Agency (Nestor CRA) is one of the largest commercial umbrella bodies of the Criminal Records Bureau. In the last year the process has been made electronic, cutting the processing time by half, and enabling Nestor to bring new carers into our workforce faster than any of our competitors.

Social Care funding

In 2009, around 18 million people were aged 50 or over, by 2029 this figure is forecast to increase to approximately 23 million (Office for National Statistics). This continuing demographic change brings with it both challenges and opportunities, not least for central government to determine the means of funding the consequential growth in demand. Care for individuals in their home represents the most economic method of supporting people. It can be argued that many people in hospital could be looked after in a residential environment or in their own homes. It is believed also that service users' health responds better when they are able to remain in, or return to, their own homes. The growth in demand for social care will inevitably grow given the demographic trend. In addition the pressure on public expenditure may drive further activity towards the least cost option of care at home.

The growth of the personalisation agenda, enabling individuals to control their own budgets for their care, and the drive towards self-directed support requires us to respond by continually adapting and evolving our strategy and using our experience to ensure we meet our customers' requirements both now and in the future. Personalisation is firmly embedded within our specialised services, with a strong focus on supporting individuals to live as independently as possible, facilitating our customers to have choice and control over the services they use and to access wider public and community services, employment and education.

As one of the largest providers of home care and support we are in a position to work in partnership with all stakeholders to help shape the future home care services. Our aim is to ensure that the services that are commissioned in the future will meet the needs of all our customers and that our business is well positioned to meet the challenges ahead. We remain positive that focusing on quality will continue to drive growth in our core services as well as presenting opportunities in more specialist areas.

Operating review continued

Primary Care

All our Primary Care services are delivered through the Primecare brand name

Overview of Primecare services

Primecare aims to deliver high quality, innovative and cost-effective services with the aim of becoming the most successful commercial provider of primary care services in the UK

Our health services are commissioned by many organisations including NHS trusts, police forces, prisons and other secure establishments as well as commercial organisations

Financial performance

Our Primary Care operating profit of £2.5m was, as expected, reduced from the previous year's £4.3m following the loss of two out-of-hours contracts, effective from the early months of 2009. As a consequence, revenue reduced by 8.7% to £45.0m and operating profit margin from 8.7% to 5.6%. A part of the margin reduction was due to the decision to retain a significant investment in business development resource given the level of tender activity evident throughout 2009 and subsequently. The operating margin will see improvement when the revenues from new contracts, such as the EAPC health centres, are fully evident in the results.

Urgent care

During 2009 we provided out-of-hours GP services for patients in England and Wales on behalf of 15 NHS Primary Care Trusts and four Local Health Boards. We work in partnership with GP practices, A&E departments and NHS Direct to ensure that patients get the right health information and treatment at the right time, working through the night and at weekends.

Primecare cares for in excess of 1.5 million callers every year who access our service via their usual GP practice. Patient details are logged by experienced call handlers with the aid of a clinical support system and their symptoms are then clinically assessed by either a doctor or a nurse. Patients are either given healthcare advice or an appointment is made for them to be seen at a local primary care centre. Doctors can also visit patients at home if their need is thought to be sufficiently urgent or if they are unable to get to their nearest clinic.

We also support some GP practices with their telephone calls during the day and provide healthcare for patients when their practices are closed for training.

During the year we commenced two new out-of-hours contracts in Herefordshire and Mid-Essex

The new Mid-Essex service now includes treating minor injuries at our primary care centres. The out-of-hours contract for Herefordshire includes call handling for urgent dental care as well as emergency adult social care, providing a single point of access for the county's health and social care needs outside working hours

In 2010 four of our current out-of-hours contracts are potentially due for renewal. The first, in Dudley, has been successfully retained. We have been informed by the PCTs responsible for a further two, in the North East of England, that the current contracts will be extended for twelve months, leaving just one contract renewal outstanding

Quality is of paramount importance given the responsibility taken for people's health. Our urgent care services perform consistently ahead of the National Quality Requirements (NQRs). Also in 2009 Cardiff University published a report, on behalf of the Welsh Assembly Government, on patient satisfaction of unscheduled care services. For the services that Primecare provides in Wales, high satisfaction rates were reported for clinical advice over the telephone and for doctors visiting patients at home. Patients and carers also valued the ease of contacting the service, the manner in which their call was handled and the help they received

Primecare strives to provide service over and above the basic standards required. During 2009 our call handling services in the West Midlands and Wales were inundated with calls connected to the first and second waves of swine flu

In the Northern region, Primecare managed the delivery of anti-virals to pharmacies and patient homes on behalf of the local PCTs. In some areas demand for Primecare services was 300% higher than the normal levels of activity, yet all calls were serviced and the relevant PCTs recognised the extent of effort the business went to without any contractual entitlement to recover the extra costs incurred. In the event a number of the PCTs made out of contract payments to compensate Primecare for its additional costs

Operating review continued

Primary Care continued

EAPC health centres

In 2009 Primecare opened five new GP led health centres as part of the government's Equitable Access to Primary Care (EAPC) scheme. The health centres are open seven days a week, from 8am to 8pm. Each centre has proved popular with patients who enjoy the convenience of walk-in appointments at times that suit them. In those centres that have been open for a number of months, patient volumes are ahead of expectations and registered patient lists continue to grow. All of Primecare's health centres are performing well when measured against the PCTs' Key Performance Indicators (KPIs). Our sixth health centre is due to open in April 2010 and is a partnership with a local GP.

The partnership approach is increasingly that preferred by PCTs. In Barnsley, our health centre is a joint venture with the local hospital trust, in Scarborough, the health centre is operated jointly with a group of local GPs.

Secure

Primecare provides healthcare in a number of prisons and other secure settings including immigration centres and secure training centres. We offer the full range of primary care services including services designed to avoid, where possible, the need to transfer patients to hospital as well as mental health in-reach and integrated drug treatment services.

We aim to ensure that the standard of healthcare for people in secure establishments is at least equal to that offered in the community. This has included introducing an electronic complaints and incident reporting system and encouraging an open culture to increase reporting and reduce the risk of future incidents. Primecare have put in place an internal audit programme for all secure sites that includes assessment of clinical governance standards, clinical records, service delivery, medicines management, specialist treatments, workforce and health and safety standards.

Our health services at Oakington Immigration Removal Centre had an inspection from the Home Office where the feedback was extremely positive whilst an inspection by Ofsted at the Rainsbrook Secure Training Centre resulted in the health provision being rated 'Outstanding'.

Police

Our business works with police forces providing medical examinations to victims of assault. Our doctors and nurses also provide care for people who are detained in custody by the police and for the courts.

Following a competitive procurement process, Primecare began a new contract with West Midlands Police in April 2009.

Dentistry services

Primecare Oral Health Services operates a number of small dental contracts including a mobile domiciliary service in Plymouth, full dental services in secure establishments, out-of-hours emergency dentistry and dental call handling.

Towards the end of 2009 we began tendering to provide new NHS dental services under the Department of Health's Dental Access Programme (DAP). PCTs are responsible for procuring services under this programme, which is designed to increase access to NHS dental services across the country. Primecare has already secured its first DAP contract with our first practice due to open in South Yorkshire in May 2010. In the coming weeks we expect to see a significant upsurge in invitations to tender for additional dental practices under this programme.

Quality of services and patient safety

Primecare operations directors are responsible for service performance and quality of services. The medical director and quality and standards team support the operations directors by establishing and monitoring clinical governance standards and processes.

Assurance of our clinical governance is provided by

- Clinical Governance Committee
- Clinicians' database
- Monthly performance reviews of quality
- Clinical Risk Management Forum
- Clinical and Medicines Management Forum
- Training and Development Steering Committee
- Internal auditing

This provides an overall framework against which all elements of clinical governance are assessed and reviewed on a regular basis. The integrity of this process is provided by an internal audit function, the 'Clinical Governance Assurance Framework' that checks whether appropriate clinical governance structures and processes are in place.

In 2010, Primecare will create a new post of head of safety and quality, which is a dedicated role to assure compliance with quality standards in advance of our required registration with the Care Quality Commission during 2011-2012.

Operating review continued

Primary Care continued

Future plans

The current core business offering, through our urgent care contracts and increasingly the Equitable Access health centres, provides many opportunities for growth and tender activity remains high. To support this and other areas of development, Primecare has recently made some key appointments to its senior management team including two business development directors and a head of communications and marketing.

As described above, the scale of the tendering opportunities under the DAP programme is about to increase considerably. In addition we have begun to establish links with other organisations to provide end of life healthcare for people based in their own homes. This represents a real opportunity for the two parts of Nestor, Social Care and Primary Care, to present a complete and compelling proposition to PCTs and Local Authorities to provide a full health and social care service for people in their own homes.

Corporate and social responsibilities

Employees

The Group believes that communicating effectively with its employees in all aspects of its business, particularly regarding the economic and financial factors affecting the Group's performance, is important to its future success. In addition it is the Group's policy to encourage employees to participate in its success, through a variety of performance-related incentive arrangements, including the provision of savings related share option schemes.

Diversity

The Group recognises its responsibilities in this key area of working life and is continually taking steps to balance society and employee needs with its business requirements. It has a wide and varied employee base with significant numbers of female employees, many at senior management level, as well as a significant employee base of individuals who come from ethnic minority groupings. The Group's operational working practices and policies continue to comply with the Disability Discrimination Act 1995 (as amended).

Health and safety

The Board is aware of its responsibilities towards its employees and all users of the Group's services in health and safety matters. It recognises its responsibility for the setting and monitoring of appropriate policies, guidelines and practices in the formal Schedule of Matters reserved for the Board's consideration.

The Group's Head of Quality is directly accountable to the Board overseeing safety matters and works closely with the Group's business units to roll out revised policies and reporting arrangements. Day-to-day advice is provided by the Group Health and Safety Manager and by an external consultancy.

An ongoing training programme supports the effective implementation of this process, which is based on a comprehensive series of risk assessments and reporting arrangements. During the year all health and safety matters remained integrated into the Nestor Quality Management System.

Clinical governance

The Group remains committed to a robust approach to the identification and management of clinical risk with clear, consistent and appropriate reporting across the business. Primary Care continues to meet current NHS standards including Standards for Better Health and National Quality Requirements for Out of Hours Services.

Primary Care continues to adopt a safe and incremental approach to innovative service development looking to national and international best practice to drive continual improvement in patient services. It looks to add to its service development portfolio through engagement with national patient safety initiatives and patient experience forums. In line with its increasingly diverse range of healthcare services, which now include GP practices and urgent care services, our clinical governance systems remain paramount in continually assuring patient safety and satisfaction.

Environmental policy

As a service-based organisation, with no manufacturing, limited transportation facilities and no freehold properties, the Group's exposure to environmental risk is limited, as is its ability to control the environmental impact of its activities. During the year, the Group continued to refine the formal environmental policy adopted by the Board in 2000, with a particular focus on matters relating to the clinical services provided by the Group. The policy document, which is directed at minimising the potential impact of the Group's operations on the environment, provides that the Board retains ultimate responsibility for setting and monitoring its policy on environmental matters.

Financial review

Results for the year

The results for the year ended 31st December 2009 have been very positive, with current business segments achieving an operating profit of £9.7m, compared with £9.5m in the prior year (exclusive of the Carewatch segment which was sold in October 2008 and exceptional items discussed below)

Revenue

In 2009, Group revenues for the two remaining segments, Social Care and Primary Care, have decreased by 1.2%. Within this, Social Care revenues have increased by 2.4% to £107.0m, while Primary Care has recorded a reduction of £4.3m (8.7%) to £45.0m. Including the results of the Carewatch business, which was sold in October 2008, total Group revenue decreased by 6.9% to £152.0m.

Operating profit and margins

Total operating profit before loss on disposal of operations, interest and tax, totalled £9.7m compared to £5.3m in 2008, an increase of £4.4m.

Social Care operating profit has increased by 21% from £8.5m in 2008. This is due mainly to increased volumes of hours delivered under existing contracts, rather than through the addition of new contracts.

Operating profits within Primary Care decreased in the year from £4.3m in 2008 to £2.5m in the current year, a decrease of £1.8m, due largely to the previous loss of two out-of-hours contracts.

The results for 2008 bore the cost of a number of exceptional charges, totalling £7.5m. These included redundancy costs of £1.4m, increases to the onerous lease provision in respect of properties no longer occupied of £2.6m and a charge to create a provision of £3.5m in respect of two past clinical incidents. Operating profit before accounting for any of these exceptional items was therefore £12.8m in the prior year, including a contribution of £3.3m from Carewatch for the nine months prior to its sale.

Profit before tax

Profit before tax amounted to £7.3m (2008: £30.4m), with the 2008 figures benefiting from the profit on disposal on operations relating to the sale of the Carewatch business.

Included within this result, the Group bore a finance charge in the year in relation to the revaluation of its derivative financial instruments in the amount of £1.1m compared with £2.1m in 2008. This is discussed more fully below.

Taxation

The tax charge for the year was £1.2m (2008: £1.0k). Items not chargeable to corporation tax in the prior year included the gain on the disposal of the Carewatch business, where the capital gain incurred did not result in any material liability due to the availability of capital losses. This reduced the overall tax charge. In the current year, the tax charge has benefited from the favourable resolution of a tax enquiry relating back over a number of years, which has resulted in repayments of £2.2m of tax in the year.

Earnings per share

The basic earnings per share were 5.4p (2008: 26.9p), the prior year figure reflecting in particular the impact of the gain on disposal of the Carewatch business.

Cash flow and borrowings

Closing net debt for the Group amounted to £13.8m (2008: £19.0m), a total net inflow of £5.2m, which includes £2.2m of tax refunds, as discussed above.

Cash flow from operations totalled £8.9m (2008: £10.9m), reflecting an increase in profitability, in particular in the second half of the year, combined with a strong working capital position at the year end. The cash flow shows an increase in trade and other receivables, due to increasing revenues, and a reduction in provisions, which reflects both the pension scheme deficit reduction payments of £2.4m in the year and the decreasing onerous lease provision in respect of properties no longer used by the Group, as each lease progresses one year nearer to its end.

At the year end debtor days outstanding were 38 days compared to 39 days at the end of 2008 and reflects the excellent cash collection in the run up to the end of the year.

Net capital expenditure was £1.3m (2008: £0.3m) in the year, with the increase largely attributable to expenditure incurred in the refurbishing and fitting out of the new health centres opened under the Equitable Access to Primary Care (EAPC) scheme. Capital expenditure is expected to remain at around this level for the foreseeable future.

Dividends, interest and corporation tax payments amounted to £1.9m, considerably lower than the £6.5m paid in 2008, and contributing to a much improved net debt position.

Equity shareholders' funds

Equity shareholders' funds increased from £72.8m reported in 2008 to £74.9m, largely attributable to the net profit in the year. This increase was offset to some extent by actuarial losses arising in the defined benefit pension schemes, and by dividends paid to shareholders.

Pensions

In accordance with IAS 19 "Employment Benefits", the Group is required to compare the market value of its two defined benefit pension schemes' assets at the year end with the actuarial liabilities of those schemes. At 31st December 2009, the pension schemes' assets amounted to a total of £32.0m (2008: £26.5m) compared with total liabilities of £41.6m (2008: £35.2m), a net aggregate pre-tax deficit of £9.6m (2008: £8.7m).

Treasury management and financial instruments

Financial instruments include all assets and liabilities of a financial nature such as cash, loans, finance leases, overdrafts and long-term liabilities. All such instruments play an important part in the operations of the Group, enabling it to operate smoothly and efficiently and to pay its obligations as they fall due. They also enable the Group to fulfill its investment strategy including making appropriate acquisitions. The Group's objective is to use financial instruments to minimise the cost of capital at an acceptably low financial risk and to maximise flexibility to take advantage of investment and acquisition opportunities as they arise.

The Group is a UK business without exposure to foreign exchange risks.

The main risks arising from the Group's financial instruments are interest rate and liquidity risks. The Board considers each of these risks on a regular basis and, with the exception of the position since October 2008 with regard to derivative financial instruments, the Group's stance towards each of these risks has remained substantively unchanged.

During the year, the Group successfully concluded discussions on renewed banking facilities with its bankers. The new facility is in place for a period of four years from 29th October 2009, and comprises a revolving credit facility of £25.0m, together with an additional facility of £7.5m in respect of performance bonds and guarantees. An arrangement fee of £0.5m, amounting to 2% of the revolving credit facility, was payable on commitment to the facility.

At the end of the year, the Group had borrowings less cash of £13.8m (2008: £19.0m) and undrawn committed borrowing facilities of £11.1m. It is, and has been throughout the year, the Group's policy that no trading in financial instruments is undertaken, subject to the circumstances described below.

In 2007, the Group entered into hedging arrangements which have the effect of fixing £60.0m of its borrowing within a range of interest rates between 4.50% and 7.00% until November 2010. However, since the disposal of Carewatch in October 2008, which generated gross proceeds of £37.0m, the Group's borrowings have been considerably lower than the £60.0m upon which the derivatives contracts are notionally based. No cash payments have been made to cancel the proportion of the contract required to bring it back in line with the level of borrowings as, in the opinion of the directors, the outflow required to settle this liability would not have been in the interests of the Group.

During the year, cash payments of £1.4m were made under these contracts.

Controls

Financial and operational controls remain robust across the Group with considerable attention paid to the control environment and balance sheet management on a monthly basis.

Ethical matters

The Board has a formal Code of Business Conduct covering all the businesses in the Group, which has consolidated all of the various codes previously applicable to them. The Code provides comprehensive guidelines to all employees as to the standard of business ethics expected from them as representatives of the Group. It also recognises the importance to the Group of operating to the highest possible ethical standards, bearing in mind the nature of the services offered by Group companies and the needs of their clients.

The Group operates two comprehensive whistleblowing policies, in respect of clinical issues and general operational and financial matters.

At the Group's head office in Hatfield, most gifts received by members of staff from suppliers and potential suppliers are auctioned amongst all staff (where practicable) and the proceeds of such auctions are donated to the Group's Charity of the Year.

Financial review continued

All senior managers are required to declare, on an annual basis, any hospitality received during the year in their capacity as employees of the Group and to disclose any interests they may have in connected or competing organisations. These declarations are monitored by the Group Company Secretary and reported to the Board at the end of each year.

All Board members are required, once a year, to submit their annual expense claims to the scrutiny of the entire Board.

Martyn Ellis
Finance Director

11th March 2010

Board of directors

John Rennocks Chairman

(64), joined the Group and was appointed to the Board as Chairman in October 2003. A chartered accountant, he is also non-executive chairman of Diploma plc and Intelligent Energy plc and holds a number of non-executive appointments in listed and unlisted companies including Inmarsat plc and Babcock International Group plc.

Previously, he was Executive Director, Finance of Corus Group plc (formerly British Steel plc) between 1996 and 2001. From 1989 to 1996 he was Finance Director of Powergen plc and prior to that Finance Director and Company Secretary of Smith & Nephew plc.

He is Chairman of the Board's Nomination Committee and a member of its Audit and Remuneration Committees.

Martyn Ellis Finance Director

(53), joined the Group and was appointed to the Board in May 2003. A cost and management accountant, he previously held positions as Finance Director of TeleCity plc, Whitecroft plc, Mann Egerton and Campbell Foods (UK).

Roger Dye Non-executive director

(58), was appointed to the Board as a non-executive director in January 2004. A chartered accountant, he was Finance Director of the Davis Service Group Plc from August 2000 and was then its Chief Executive from May 2005 until his retirement in December 2009. A UK public company director since 1987, he has been Group Finance Director of Transport Development Group plc, Cray Electronics plc and Domino Printing Sciences plc.

He is Chairman of the Board's Audit Committee and serves on its Nomination and Remuneration Committees.

Sir Andrew Foster Non-executive director

(65), was appointed to the Board in January 2004. He has had a long and distinguished career in public service, having served as Chief Executive of the Audit Commission for England and Wales between 1992 and 2003. Other previous appointments include Deputy Chief Executive of the NHS and Director of Social Services for North Yorkshire County Council. He is now Deputy Chairman of the Royal Bank of Canada Europe Limited, Chairman of Commonwealth Games England, Chairman of the Commission on 2020 Public Services, and holds non-executive director positions at National Express Group and PruHealth Limited.

He is the senior non-executive director and Chairman of the Board's Remuneration Committee. He is also a member of its Nomination and Audit Committees.

Directors' report

The directors are pleased to present their report and the audited financial statements for the year ended 31st December 2009

Principal activities and business review

Nestor Healthcare Group plc is the holding company of a group of companies in the social care and primary care sectors. Its principal activities are organised into two business units. These comprise:

- Social Care – the provision of home and social care personnel and services through a network of branches across the UK, and
- Primary Care – the provision of integrated out-of-hours and walk-in healthcare services, providing advice and treatment to patients, and the provision of forensic medical clinical services to secure establishments and police forces

Summary results for the year were as follows:

	2009	2008
Revenue	£152.0m	£163.3m
Operating profit before exceptional charges	£9.7m	£12.8m
Exceptional charges	–	(£7.5m)
Operating profit	£9.7m	£5.3m
Other (losses)/gains – disposal of operations	£(0.3m)	£31.1m
Net finance expense	£(1.0m)	£(3.9m)
Fair value loss relating to derivative contracts	£(1.1m)	£(2.1m)
Profit before tax	£7.3m	£30.4m
Basic earnings per share	5.4p	26.9p

The segmental analysis below illustrates the trading performance of Social Care and Primary Care. In the year, the Group has adopted IFRS 8 "Operating Segments". In order to comply with the provisions of this accounting standard, and also to improve accountability at divisional level and accelerate cost reductions, the majority of expenses previously treated as corporate have now been reported under the management of the two business segments. Core Head Office costs (such as the Board, central finance and treasury operations and the costs entailed in operating as a plc) have been separately identified and are disclosed below. Previous year comparatives have been restated to match the revised method of reporting.

Segmental results were as follows:

	2009 Revenue	2009 Operating profit	2008 Revenue	2008 Operating profit
Social Care	£107.0m	£10.3m	£104.5m	£8.5m
Carewatch	–	–	£9.5m	£3.3m
Primary Care	£45.0m	£2.5m	£49.3m	£4.3m
Unallocated corporate expenses	–	£(3.1m)	–	£(3.3m)
Total before exceptional charges	£152.0m	£9.7m	£163.3m	£12.8m

Total equity at 31st December 2009 was £74,901,000 (2008: £72,764,000)

The Chairman's statement, operating review and financial review on pages 5 to 22 provide a further business review and commentary on the Group's activities, trading results and future developments.

Results and dividends

A final dividend for 2008 was declared at 1.50 pence per share, costing £1,693,000 and paid in June 2009. An interim dividend for 2009 was declared at 0.50 pence per share, costing £564,000 and paid in October 2009. Total dividends paid in the year ended 31st December 2009 were therefore 2.00 pence (2008: 1.00 pence) per share, costing £2,257,000 (2008: £1,128,000).

The directors now recommend a final dividend of 1.65 pence per ordinary share for the year to 31st December 2009, to be paid to shareholders on 11th June 2010.

Directors

The directors who served during the year were Roger Dye, Martyn Ellis, Sir Andrew Foster and John Rennocks. All the directors served throughout 2009.

In accordance with the Articles of Association, John Rennocks will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

Martyn Ellis has a service agreement with the Company, further details of which are provided at pages 34 and 35 in the remuneration report.

Directors' interests

All directors' interests, including details of shareholdings, are set out in the remuneration report of the Board on page 36.

Share capital

The Company has only one class of capital, namely ordinary shares of 10 pence each. All issued shares carry voting rights. As at 11th March 2010 the authorised capital of the Company is £20,000,000 comprising 200,000,000 ordinary shares of 10 pence each. At the same date the issued share capital is 112,851,815 ordinary shares of 10 pence each, which also represents the total voting rights.

There are no restrictions on the transfer of shares or any other securities in the Company, no special rights with regard to control of the Company, no restrictions on voting rights, no agreements known to the Company that could result in restrictions on the transfer of securities or on voting rights, no agreements to which the Company is a party that would take effect, alter or terminate upon a change of control of the Company following a takeover bid, and no agreements between the Company and its directors or employees providing for compensation for loss of office or employment as a consequence of a takeover bid.

Resolutions to allow the directors to issue and also to buy back shares are to be proposed at the Annual General Meeting.

Substantial shareholdings

At 16th March 2010 the Company had been notified of the following interests of 3% or more in its ordinary share capital:

Shareholder	Number of shares	Percentage of issued share capital
Schroder Investment Management	32,784,018	29.05
Gartmore Investment Management	30,879,116	27.36
JO Hambro Capital Management	9,450,000	8.37
GAM	7,947,400	7.04
Standard Life Investments	3,657,008	3.24

Details of the authorised and issued share capital of the Company during the year ended 31st December 2009 are given in note 25 to the financial statements.

Charitable and political donations

No charitable or political donations were made during the year (2008: £nil).

Financial instruments

Note 23 to the financial statements contains disclosure on financial instruments.

Directors' report continued

Strategy

The business strategy adopted by the directors is to continue to focus on Social Care and Primary Care, and in particular to

- continue to win new contracts with Local Authorities, Primary Care Trusts, Police Authorities and secure institutions, and
- explore opportunities to provide additional services to existing and new customers

Key performance indicators

When monitoring the performance of the Group and of the individual businesses within it, the directors continue to review a number of key performance indicators (KPIs). The more important ones used are

Applicable across the whole Group

Revenue
Operating profit
Debtor days

Applicable to the Social Care business

Volume – hours
Commission per hour
Gross profit
Gross profit per hour
Average number of care workers paid per week
Average hours per care worker paid per week
Ratio of care worker hours to branch staff hours

Applicable to the Primary Care business

Doctor pay
Nurse pay
Other operating costs
Cost per doctor hour
Ratio of doctors to nurses
Cost per doctor visit and per nurse visit
Consultations per doctor hour

Actual KPIs at the Group level were as follows

	Year to 31st December 2009	Year to 31st December 2008
Revenue	£152,000,000	£163,300,000
Operating profit before exceptional charges	£9,700,000	£12,800,000
Debtor days	38	39

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. These are described below. The Group's risk management policies and procedures are also discussed in the corporate governance statement. Further assurance is provided by a strong control and compliance environment provided by, inter alia, clinical governance and quality assurance departments.

Loss of revenue and profits from contracts with Primary Care Trusts or Local Authorities

A substantial proportion of revenues and profits derive from government funded bodies such as Primary Care Trusts and Local Authorities. Whilst the Group expects that such bodies will continue to demand its services, there exists the risk that budget constraints or other cuts in government spending could lead to a reduction in revenues earned. Many of these contracts also cover multiple years, exposing the Group to the risk that increases in costs over the period may not be matched by a corresponding increase in revenues. The directors believe that such a loss of revenue could in large part be mitigated by reductions in the cost base.

Competition

The Group operates in a highly competitive market. If competition to the Group increases due to new entrants to the market or to downward price pressures, this may limit the Group's ability to win or renew contracts when tendering and could reduce market share and profit levels. This risk is mitigated to some degree by relatively high barriers to entry such as rigorous quality standards, high levels of regulation and the predisposition of the tendering process to be long and costly.

Technological innovation

The advancement of new technologies and the increased uptake of existing technologies into customers' own homes may reduce the demand for the services provided by the Group. This risk is mitigated by constant monitoring of and adaptation to such change.

Regulatory environment

The Group's activities are subject to a high level of regulation and inspection by various bodies. The costs of compliance with these regulations could be impacted by the introduction of new regulations or legislation. The Group is also at risk from the negative effects of any non-compliance, which may affect either its profits or reputation or both. Inspections by regulators are carried out on a regular basis. These risks are mitigated by a rigorous process of internal control over quality and compliance.

The need to procure suitably qualified staff

The Group's performance is in part dependent on its ability to recruit and retain suitably qualified doctors, other medical professionals and care workers and to comply with external regulation in this regard. Failure to comply with regulations or to retain the correct quality and quantity of staff may lead to loss of customers, penalties or loss of reputation. This risk is mitigated by rigorous checks on new and existing employees, and by continuing to devote significant resources to all recruitment initiatives.

Loss of reputation

The nature of the business is such that from time to time clinical or other incidents can arise which can lead to claims for damages being made against the Group on the grounds of negligence or other reasons. Such claims could lead to financial loss in terms of damages, or to loss of reputation. In the majority of cases such incidents, having been notified, do not in fact lead to a claim being made. Even if claims are made they may be laid against parties other than the Group. If claims are ultimately laid against the Group, this risk is mitigated by the maintenance by the Group of appropriate liability insurance, subject to excesses, to cover the financial loss of claims. Further mitigation is provided by rigorous checks on new and existing employees and sub-contractors, and especially by the utilisation of rigorous clinical governance and other operating standards and procedures.

Pension schemes' deficits

The Group has two defined benefit pension schemes, into which the Group is obliged to contribute to make good the deficits in these schemes. Any necessary increase in employer contributions to the Group's pension schemes to make good the deficits in these schemes may have an adverse impact on the Group's financial condition. This risk is mitigated by an existing agreement of a schedule of contributions with the Pensions Regulator. The directors expect that a revised schedule of contributions in respect of both schemes will be agreed during 2010, on terms that will be broadly acceptable to the Group.

Disabled employees

It is the Group's policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes in common with all employees.

The Group applies employment policies that are fair and equitable for all employees and which ensure that entry into and progression within the Group are determined solely by application of job criteria and personal ability and competency.

Full and fair consideration (having regard to the person's particular aptitudes and abilities) is given to applications for employment and the career development of disabled persons. The Group's training and development policies make it clear that the Group will take all steps practicable to ensure that employees who become disabled during the time they are employed by the Group are able to continue to perform their duties.

Directors' report continued

Employee involvement

The Group attaches considerable importance to ensuring that all its employees are provided with information concerning them as employees, particularly the economic and financial factors affecting the Group's performance and the market in which the Group operates. Involvement of employees in the Group's performance is also encouraged by the availability of performance-related bonuses as well as share option schemes, which are described in more detail elsewhere in this report.

Internal circulars and newsletters are issued on a regular basis and consultation between management and staff is an ongoing process. Employees are consulted on issues directly affecting them wherever practicable. Further details of the Group's policies and practices relating to employee involvement may be found on page 19 of this report.

Creditor payment policy

It is the Group's policy to have appropriate terms and conditions for transactions with suppliers, ranging from standard terms and conditions to those which have been specifically negotiated, and that in the absence of dispute, payment will be made in accordance with those terms and conditions and conforming to the CBI Code of Best Practice, copies are available from the CBI at Centrepoint, 103 New Oxford Street, London WC1. At 31st December 2009 trade payables represented nine days purchases (2008: thirteen days).

The directors' reports of the Group's UK operating companies give information about their creditor payment policies as required by the Companies Act. The Company, as a holding company, does not itself make any relevant payments in this respect.

Registered office

On 4th February 2010, subsequent to the year end, the Company and all of its subsidiaries registered in England and Wales changed the address of their registered office from Allen House, Station Road, Egham, Surrey TW20 9NT to Beaconsfield Court, Beaconsfield Road, Hatfield, Hertfordshire, AL10 8HU.

Auditors

Resolutions proposing the appointment of BDO LLP, Chartered Accountants, as auditors to the Company and authorising the Audit Committee of the Board to determine their remuneration will be put to the Annual General Meeting.

Corporate governance statement

The corporate governance statement is on pages 37 to 40 and is incorporated into this directors' report by reference.

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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 11th March 2010 and signed on its behalf by



David Collison
Group Company Secretary

Nestor Healthcare Group plc

Registered number 1992981

Registered office: Beaconsfield Court, Beaconsfield Road, Hatfield, Hertfordshire, AL10 8HU

Directors' responsibilities

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 year. Under that law the directors are required to prepare the Group financial statements and have elected to prepare the Company 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 Group and Company and of the profit or loss for the Group 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, and
- prepare a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006

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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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.

Website publication

The directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement pursuant to DTR4

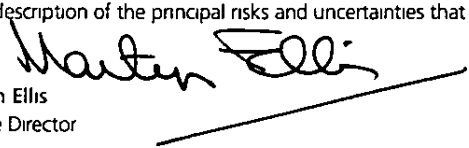
The directors confirm to the best of their knowledge that

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and
- the Annual Report includes a fair view of the development and performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face



John Rennocks
Chairman

11th March 2010



Martyn Ellis
Finance Director

Remuneration report

The Board is pleased to present its remuneration report for the year ended 31st December 2009. The report provides the information required by the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the UK Financial Services Authority and describes how the Company and Group apply the principles of the Combined Code in relation to executive directors' remuneration. This remuneration report has been prepared by the Remuneration Committee, an ordinary resolution to approve it will be proposed at the Annual General Meeting on 7th May 2010. The vote will have an advisory status only and will be in respect of the remuneration policy and overall remuneration packages generally and will not be specific to individual levels of remuneration.

BDO LLP have audited the sections headed directors' emoluments, directors' pensions and directors' interests to the extent required by the regulations.

Remuneration Committee

The Board has delegated its powers to determine the Group's remuneration policy for senior executives, including executive directors, to the Remuneration Committee ("the Committee"), the members of which during the year were Sir Andrew Foster (Chairman) and Roger Dye, both of whom were regarded by the Board as independent non-executive directors, and John Rennocks (who was regarded by the Board as being independent on the date of his appointment). The Board has retained responsibility for setting the remuneration of the Company's Chairman since he currently serves as a member of the Committee.

The terms of reference of the Committee may be found on the Company's website. Further details relating to the Committee may be found on page 39 of this report.

In determining its policy, the Committee has paid regard to the principles and provisions of good governance contained in the June 2008 Combined Code, and also to the Directors' Remuneration Report Regulations 2002, the Companies Act 2006 and Statutory Instrument 2008/410. It has also received advice on executive remuneration from Hewitt New Bridge Street ("Hewitt NBS"), which is retained by the Committee as its regular advisor. A copy of a statement relating to the terms on which Hewitt NBS is engaged by the Committee is available on the Company's website.

The Company has also instructed Hewitt NBS to advise it on certain ad hoc matters during the year, for example in relation to the formulation and administration of the Company's share schemes and share awards.

Remuneration policy

The Committee's overall aim is to provide a package of remuneration which

- is sufficient but no more than is necessary to attract, retain and motivate all of the Group's most senior management, including executive directors,
- rewards good performance with remuneration that is in line with that payable in broadly comparable businesses, and
- rewards exceptional performance in such a way as to align the executives' interests with those of the shareholders.

To that end, the Committee structures executive remuneration in two distinct parts: fixed remuneration of basic salary and benefits, and variable performance-related remuneration, in the form of a cash bonus and long-term incentives. Remuneration is structured so that the variable pay element forms a significant portion of each executive's package. During the year the remuneration policy was unchanged from that applying in 2008.

Basic salary and benefits

Basic salary is determined by reference to the responsibilities and performance of the individual directors during the year, taking into account experience and the rates of basic pay for similar roles in comparable companies. The Committee's overall aim is to ensure that the basic salary paid to the Group's senior executives, including directors, is broadly in line with the median of that paid by comparable businesses (generally companies in the FTSE Small Cap Index), having particular regard to their size and complexity. Salaries are reviewed annually, normally in December of each year or immediately after, with any adjustments usually taking effect from 1st January. It is the Committee's practice to undertake formal market benchmarking of directors' and senior executives' salaries, with the assistance of Hewitt NBS, every two years. The basic salaries of the executive directors (being the Chairman and the Finance Director) ranged from £175,000 to £210,000 per annum during the year. The Group additionally provides a range of benefits to executive directors, the most significant of which are a car cash allowance and pension benefits (full details of which are set out below).

Cash bonus

Each year, the Committee sets stretching bonus targets for each executive, aiming to achieve a balance between short-term and medium-term objectives. In 2009 and 2010, targets generally comprise overall Group performance criteria relating to operating profit (i.e. profit before tax and interest), which is considered to be the most appropriate financial target, and to a lesser extent to cash generation and certain personal objectives. No bonus is payable if the minimum relevant financial targets are not met.

The maximum such annual bonus payable to executive directors is 80% of salary. Bonuses are not pensionable.

Long-term incentives

The Group currently operates two long-term incentive schemes, the Performance Share Plan ("the PSP") which was adopted following approval by shareholders in 2006, and the Nestor Healthcare Group Share Option Plan 2002 ("the 2002 Plan") which was adopted following approval by shareholders in 2002. In proposing the schemes, the Committee took extensive advice from Hewitt NBS, sought and obtained the prior approval of a number of the Company's largest shareholders and complied with prevailing best practice relating to such arrangements.

The Committee believes that share ownership by senior executives is an effective means of rewarding superior performance, since the interests of management and shareholders are thereby aligned. The Committee further believes that the provision of share schemes to the Group's managers should be structured in such a way as to encourage them to achieve the Group's long-term aims and that the Group's most senior managers, including executive directors, should be rewarded for exceptional performance with potentially significant rewards.

Once options have been exercised no restrictions are placed on future retention or disposal.

i. The Performance Share Plan

The PSP was approved by shareholders at the Annual General Meeting on 27th April 2006 and then adopted by the Board. Awards have been made in each year 2006 to 2009 inclusive entitling directors and certain other senior managers to acquire shares in the Company, with the awards normally vesting on the third anniversary of the grant subject to continued employment and the satisfaction of a Total Shareholder Return ("TSR") growth performance condition. Vesting of awards made in 2009 will also be subject to the satisfaction of an Earnings per Share ("EPS") growth performance condition. Further details of the performance conditions are provided below.

No consideration has been payable for the grant of the awards and no consideration is payable on vesting.

In normal circumstances annual awards are limited to a potential value equivalent to a maximum of 100% of basic annual salary.

Awards made in this period 2006 to 2009 have been as follows:

	Maximum number of shares awarded 2006 to 2008 – total	Awards made 2006 to 2008 but since lapsed	Maximum number of shares awarded 2006 to 2008 – total still outstanding	Awards made in 2009	Maximum number of shares awarded 2006 to 2009 – total still outstanding	Amount charged against profit in 2009 £000
Directors	1,043,168	428,204	614,964	420,371	1,035,335	153
Other managers	1,959,540	679,812	1,279,728	1,272,297	2,552,025	214
Total	3,002,708	1,108,016	1,894,692	1,692,668	3,587,360	367

The share prices at the time of making the awards were, respectively 2006 120.27 pence, 2007 159.85 pence, 2008 52.00 pence and 35.15 pence (two awards), and 2009 25.67 pence.

All awards made in 2006 have now lapsed as the minimum TSR growth performance condition was not met.

For these awards made in the period 2006 to 2008 the performance condition required to be met is that the Company's TSR over the three year period from the date of the award must be at least at the median of a ranking of the TSR of each of the members of a defined comparator group over the same period, in which case the award will vest as follows:

Nestor's TSR ranking in group	% of award that vests
Upper quartile or above	100%
Between upper quartile and median	Sliding scale from 35% to 100%
Median	35%
Below median	0%

Remuneration report continued

For awards made in 2009 the TSR ranking will lead to vesting in a different pattern, as follows

Nestor's TSR ranking in group	% of award that vests
Upper quartile or above	100%
Between upper quartile and median	Sliding scale from 10% to 100%
Median	10%
Below median	0%

For all awards the comparator group comprises the constituent companies of the FTSE Small Cap index, excluding investment trusts

The Committee considers TSR to be a suitable performance measure for the PSP as it clearly aligns interests of shareholders and executives. It also considers that the FTSE Small Cap Index is an appropriate benchmark as there are no other companies with a directly comparable business profile to the Company listed on the UK Stock Exchange. TSR performance is independently calculated for the Committee. A chart showing the Company's TSR compared to the FTSE Small Cap Index over the last five financial years is shown below

Awards made in 2009 are also subject to an EPS growth performance condition. The number of awards that shall vest as determined by the ranking of the TSR performance condition shall then be subjected to a potential further scaling, depending on the actual EPS growth per annum, averaged over a three year period prior to vesting, measured relative to the growth in the Retail Price Index ("RPI") over the same period. This potential scaling shall operate as follows

Actual EPS growth per annum	% of (TSR adjusted) award that vests
RPI plus 8% or more	100%
RPI plus growth in a range from 5% to 8%	Sliding scale from 50% to 100%
RPI plus 5%	50%
Less than RPI plus 5%	0%

EPS was chosen as the relevant benchmark for the measurement of the Group's performance since the target requires substantial improvement in underlying financial performance before options can vest. The range of EPS targets are considered to be appropriately stretching, generating higher potential reward levels for higher levels of financial performance.

Awards made under the PSP from 2006 to 2009 inclusive to individual directors have been as follows

	Maximum number of shares awarded 2006 to 2008 – total	Awards made 2006 to 2008 but since lapsed	Maximum number of shares awarded 2006 to 2008 – total still outstanding	Awards made in 2009	Maximum number of shares awarded 2006 to 2009 – total still outstanding	Amount charged against profit in 2009 £000
Stephen Booty	454,599	259,417	195,182	–	195,182	45
Martyn Ellis	588,569	168,787	419,782	420,371	840,153	108
Total	1,043,168	428,204	614,964	420,371	1,035,335	153

As noted above, all awards made in 2006 have since lapsed

Stephen Booty left the Group's employment on 30th April 2008. Awards that had been made to him in 2007 will still potentially vest, subject to the TSR condition, on the third anniversary of the grant (26th March 2010), though subject to the rules of the PSP which provide for time apportionment to be applied so that the award is reduced by a factor equivalent to the number of months out of the 36 month vesting period for which Mr Booty was not employed. For this purpose the date of cessation of employment is deemed to be 30th April 2009, allowing for a twelve months' notice period beyond 30th April 2008, this again being consistent with the rules of the Plan.

ii The 2002 Plan

Prior to 2006 it was generally the Group's policy to grant share options regularly, on a tiered basis, to a broad range of middle and senior management, including executive directors. Generally (though not always) options were granted annually to executive directors, to a value equivalent to one times salary, although in exceptional cases, where a key executive joined the Group, a higher limit was sometimes applied. In other years, a lower limit had also been applied. No options were granted under this Plan during the years 2006 to 2008 inclusive. However in 2009 options over a total of 777,883 shares were granted to middle and senior management, of which 193,187 were granted to the Finance Director Martyn Ellis, but none to any of the other directors.

For "normal" options granted to the Group's senior executives, including all executive directors, in all years up to and including 2005 a range of normalised EPS performance targets applied to grants as shown below.

	Average growth required in EPS
1st third of an option	RPI plus 5% pa
2nd third of an option	RPI plus 6% pa
Final third of an option	RPI plus 10% pa

In all cases, performance is tested over a three year period. Since January 2004, the Committee has resolved that there will be no opportunities to retest performance for grants made after that date.

No other performance conditions were applied to option awards made prior to 2009.

EPS was chosen as the relevant benchmark for the measurement of the Group's performance since the target requires substantial improvement in underlying financial performance before options may be exercised. This complements the requirement inherent in an option, which is to grow the share price. The range of EPS targets are considered to be appropriately stretching, generating higher potential reward levels for higher levels of financial performance. All awards granted in 2005 have lapsed as a result of the minimum performance condition measured over the required three year period to 31st December 2007 not having been achieved, but awards granted in years 2002 and 2003 inclusive could still potentially vest depending on future retesting of performance.

Awards granted in years 2000 to 2002 inclusive under a previous share option scheme, prior to adoption of the 2002 Plan, could also still potentially vest depending on future retesting of performance. However, in the opinion of directors, any vesting of awards made in years 2000 to 2003 inclusive is, whilst possible in theory, very unlikely in practice.

Share option awards made in 2009 are subject to the same TSR and EPS performance conditions as the PSP awards made at the same time. The TSR performance condition required to be met is accordingly that the Company's TSR over the three year period from the date of the award must be at least at the median of a ranking of the TSR of each of the members of a defined comparator group over the same period, in which case the award will vest as follows:

Nestor's TSR ranking in group	% of award that vests
Upper quartile or above	100%
Between upper quartile and median	Sliding scale from 10% to 100%
Median	10%
Below median	0%

For all awards the comparator group comprises the constituent companies of the FTSE Small Cap index, excluding investment trusts.

Remuneration report continued

The EPS growth performance condition applying to the 2009 share option awards is therefore also that the number of options that can vest as determined by the ranking of the TSR performance condition shall then be subjected to a potential further scaling, depending on the actual EPS growth per annum, averaged over a three year period prior to vesting, measured relative to the growth in the Retail Price Index ("RPI") over the same period. This potential scaling shall operate as follows

Actual EPS growth per annum	% of (TSR adjusted) award that vests
RPI plus 8% or more	100%
RPI plus a range from 5% to 8%	Sliding scale from 50% to 100%
RPI plus 5%	50%
Less than RPI plus 5%	0%

SAYE Scheme

The Group also operates a savings related share option scheme ("SAYE"), which provides a long-term savings opportunity for all of the Group's employees, as well as encouraging them to participate in the success of the Group. Participation is open to all permanent employees who are able to make regular monthly savings and are exercisable in normal circumstances after three or five years at a price which is fixed at a discount of 20% from the average of the mid-market prices for the five business days immediately preceding the date on which invitations are made by the Committee. In 2009 options over 1,683,246 shares were issued under this scheme, the exercise price being 19.72 pence.

Policy on the pensions of executive directors

Until it was closed to new entrants in April 2003, executive directors were able to join the Nestor Healthcare Group Retirement Benefits Scheme ("the Scheme"), a funded, HMRC approved, final salary occupational pension scheme. Pensions in the Scheme are based on final salary (excluding bonuses) and length of pensionable service. Stephen Booty was an active member of the Scheme until his departure from the Group on 30th April 2008, since when he has been a deferred pensioner member.

Under the Scheme, the normal retirement age of executive directors is 60 and the basic rate of accrual is 1/50th.

Since the Scheme was closed to new entrants in April 2003, newly appointed employees, including executive directors, are eligible to join the Nestor Healthcare Group Personal Pension Plan ("GPP"), which is a defined contribution arrangement. In respect of executive directors, the Company makes contributions to the GPP at a rate up to a maximum of 20% of the director's basic salary. Martyn Ellis is a member of the GPP.

Employer contributions of £42,000 (2008: £42,292) were paid during the year to the GPP in respect of Martyn Ellis.

Neither John Rennocks nor the two independent non-executive directors are members of any of the Group's pension arrangements.

Executive directors' contracts of service

Policy

It is the Committee's policy only to offer contracts terminable on no more than 12 months' notice to executive directors. Martyn Ellis has a contract of employment terminable in all circumstances on a maximum of 12 months' notice. When offering contracts of employment to newly appointed executive directors, the Committee has regard to the broad principles outlined in the ABI and NAPF's joint statement on Best Practice on Executive Contracts and Severance, including the director's duty to mitigate his losses in the event of early termination of his contract.

Specific contractual details

Executive directors who served during 2009

	Date of contract	Notice period	Pay in lieu of notice	Termination provisions Share options	Annual bonus
Martyn Ellis	23rd May 2003	12 months' notice from Company	Note 1	Note 2	Note 3

Notes

- 1 The Company may terminate the director's employment without notice, provided it pays to him an amount equating to his salary, benefits and employer's pension contributions or credits him with an additional period of pensionable service (as applicable) for the unexpired period of notice due under the contract. The contract of Martyn Ellis also permits the Company to pay any monies due on a monthly basis and, at its discretion, to cease or reduce payments if he accepts suitable alternative employment.
- 2 At the Board's discretion, the director may be entitled to retain any vested share options held under the Group's Share Option schemes for a period of up to 12 months from termination. He may also be entitled to exercise unvested share options early in certain specified circumstances subject to the Committee taking account of the performance of the Group and the length of time elapsed since the grant date.
- 3 Depending on the time of year at which his employment ceases, the director may be entitled to any bonus earned by him (but not yet paid) for the previous year under the Group's bonus scheme.

Chairman and non-executive directors

The Board sets the fee levels for the Chairman and non-executive directors. Non-executive directors do not hold contracts of employment but are offered letters of appointment for a fixed period of three years, renewable annually thereafter by agreement. Non-executive directors do not participate in any of the Group's annual or long-term incentive arrangements, nor is their remuneration pensionable.

The Chairman and current non-executive directors

	Date of letter of first appointment	Appointment term	Compensation in the event of early termination of office
John Rennocks	1st October 2003	1 year from 1st October 2009	3 months' fees
Non-executive directors			
Roger Dye	9th January 2004	1 year from 1st January 2010	None
Sir Andrew Foster	16th January 2004	1 year from 1st January 2010	None

The Chairman assumed the additional role of part-time Chief Executive following the departure from the Group of Stephen Booty on 30th April 2008, his letter of appointment being revised from that date to incorporate this additional responsibility.

Directors' emoluments

	Basic salary and fees	Performance related bonuses	Taxable benefits	Compensation for loss of office (including pensions)	Total emoluments	
	2009	2009	2009	2009	2009	2008
	£000	£000	£000	£000	£000	£000
Stephen Booty	—	—	—	—	—	715
Roger Dye	35	—	—	—	35	35
Martyn Ellis	210	118	15	—	343	241
Sir Andrew Foster	35	—	—	—	35	35
John Rennocks	175	—	—	—	175	144
Total 2009	455	118	15	—	588	—
Total 2008	521	15	64	570	—	1,170

Notes

- 1 Benefits receivable consist primarily of company car allowance and healthcare insurance.
- 2 The figures above represent emoluments earned as directors during the relevant financial year. All were paid in the year that they were earned with the exception of the performance-related bonus payable to Martyn Ellis in respect of 2009, which was paid to him at the end of February 2010.
- 3 John Rennocks' fees were increased from £81,000 per annum to £175,000 per annum with effect from 1st May 2008 following his assumption of the role of Chief Executive. Mr Rennocks does not have any opportunity to earn a bonus.

Remuneration report continued

Directors' interests

The beneficial and family interests of directors in the share capital of the Company were

	Ordinary shares (non-audited)		Share Option Plan 2002		Performance Share Plan 2006		SAYE Scheme	
	31 12 09	31 12 08	31 12 09	31 12 08	31 12 09	31 12 08	31 12 09	31 12 08
Roger Dye	50,000	–	–	–	–	–	–	–
Martyn Ellis	22,268	22,268	262,062	68,875	840,153	588,569	–	–
Sir Andrew Foster	50,000	–	–	–	–	–	–	–
John Rennocks	156,294	106,294	–	–	–	–	79,361	–

Notes

- 1 None of the directors has any non-beneficial interest in the Company's share capital
- 2 No director was materially interested in any contract of significance (apart from contracts of service or for services) with any Group company during or at the end of the financial year
- 3 Stephen Booty, who left the Group on 30th April 2008, continues to hold potential awards made in 2007 under the Performance Share Plan of 195,182 shares (31st December 2008 454,599)
- 4 During 2009 Roger Dye, Sir Andrew Foster and John Rennocks each purchased 50,000 ordinary shares at a price of 24.82 pence per share. There were no other changes to the beneficial and family interests of directors in the share capital of the Company during the year.

Executive share options held by the directors during the year were

	Scheme (see below)	At 31st December 2008	Granted	Lapsed	At 31st December 2009	Exercise price	Date from which exercisable	Expiry date
Stephen Booty	1	25,433	–	25,433	–			
	2	5,868	–	5,868	–			
	3	12,771	–	12,771	–			
Martyn Ellis	3	68,875	–	–	68,875	256.98p	Jun '06	Jun '13
	3	–	193,187	–	193,187	25.67p	April '12	April '19

Schemes

- 1 Employee Share Option Scheme 1996 Options, performance target – EPS growth of RPI plus 5% per annum
- 2 Company Share Option Plan 1996 Options, performance target – EPS growth of RPI plus 5% per annum
- 3 The 2002 Plan

Notes

- 1 There is no cost to the employee for the receipt of options under the Employee Share Option Scheme 1996, Company Share Option Plan 1996 or the 2002 Plan
- 2 Employee Share Option Scheme 1996, Company Share Option Plan 1996 and the 2002 Plan option prices are fixed at the mid-market price on the business day preceding the date of grant
- 3 No share options were exercised by directors at any time in 2009
- 4 The mid-market price at 31st December 2009 was 41.00 pence and the range during the year was 19.50 pence to 48.00 pence

External appointments

All executive directors are required to seek the consent of the Board before accepting external appointments as non-executive directors of companies outside the Group.

John Rennocks is a non-executive director of five other companies outside the Group, all of which appointments have been consented to by the Board.

Martyn Ellis is not currently a director of any company outside the Group.

On behalf of the Board

Sir Andrew Foster

Chairman, Remuneration Committee

11th March 2010

Corporate governance

Introduction

The Board recognises the importance of good corporate governance in creating a sustainable, successful and profitable business. It is committed to compliance with the principles of corporate governance set out in the Combined Code on Corporate Governance of June 2008 ("the Code"), which is available online at www.frc.org.uk.

The Company and Group have complied throughout the year with the provisions set out in the Code except where indicated in this statement.

This statement complies with sub-sections 2.1, 2.2(1), 2.5, 2.7 and 2.10 of Rule 7 of the UK Listing Authority's Disclosure and Transparency Rules. The information required to be disclosed by sub-section 2.6 of Rule 7 is shown in the directors' report on pages 24 to 28 and is incorporated in this corporate governance statement by reference.

The manner in which the Company applies the principles of good governance contained in the Code is described in the appropriate parts of this Annual Report. Thus the application by the Company of the Code's principles to remuneration matters at pages 30 to 36 should be read in conjunction with the statement below.

The Board

The Board of directors leads and controls the Company by holding at least seven meetings a year at which its current and forecast performance is examined. Regular reports on monthly performance and other matters of importance to the Company and Group ensure that the Board is supplied in a timely manner with the information necessary to make an informed judgement. In addition, the Board holds regular meetings to discuss and devise the Group's medium-term and long-term strategic focus and management development strategy. Regular informal presentations are given by senior business managers and occasionally by the Group's advisors in order to advise directors of issues of importance affecting the Group.

In accordance with the provisions of its Articles of Association and with the Code, each director is subject to re-election by the Company's shareholders at the Annual General Meeting immediately following appointment and at least every three years thereafter.

The Board has a Schedule of Matters specifically reserved to it for decision and has approved the written terms of reference for the various committees to which it has delegated its authority in certain matters. The Schedule makes it clear that all directors have access to the advice and services of the Company Secretary and establishes a procedure for all directors to take independent advice, if necessary, at the Company's expense. Matters reserved to the Board include the recommendation or approval of dividends, the approval of final and interim financial statements, major financial commitments, the acquisition of companies or businesses, appointments to the Board and its committees, the Group's future strategy and the Group's internal controls. This Schedule is kept under regular review.

During the year, the Board was led by John Rennocks, the Chairman. He also served as a member of the Board's Audit, Remuneration and Nomination Committees.

Until 30th April 2008, the Chairman acted solely as a non-executive Chairman. In this role his responsibilities are clearly defined in a written specification agreed by the Board prior to his appointment in 2003. They include the smooth running of the Board, effective communication between executive and non-executive directors and the general progress and long-term development of the Group. His other significant commitments were disclosed to the Board prior to his appointment.

At the end of April 2008, the Board decided to appoint John Rennocks as Chief Executive, in a part-time capacity, whilst also retaining his existing responsibilities as Chairman. This arrangement has continued throughout 2009. On his appointment as Chief Executive the Board considered, and still considers, that this was in the best interests of the Company and the Group, notwithstanding the Board's recognition that it was not consistent with normally accepted best practice or with provision A.2.1 of the Code.

The other two non-executive and independent directors, Sir Andrew Foster and Roger Dye, have separately commented on the position of the Chairman and Chief Executive in their independent directors' statement at page 9.

The day-to-day running of the business of the Company and the Group has throughout 2009 been delegated to Mr Rennocks, the Finance Director Mr Martyn Ellis and their management teams.

During the year, the independent non-executive directors who together have extensive business, finance, health and social care backgrounds provided the Board with a breadth of experience and with independent judgement. Roger Dye and Sir Andrew Foster served throughout the year, with Sir Andrew Foster being nominated as the senior independent non-executive director.

The Board considers that its present membership, comprising the Chairman also taking the role of Chief Executive, two independent non-executive directors and one executive director is appropriate at the present time, with a balance of skills and experience appropriate for the requirements of the business. This recognises that in John Rennocks, the Board has a Chairman

Corporate governance continued

who remains de facto 'independent' (having met the criteria of independence referred to in Provision A 3.1 of the Code on his appointment in October 2003) whilst in the role solely of non-executive Chairman, but who may not be considered so whilst also assuming the role of Acting Chief Executive. The Board has agreed with Mr Rennocks that he will continue in this dual role until approximately 30th June 2010. The Board's Nomination Committee have initiated a recruitment process for the appointment of a new Chief Executive to take over the role on a full-time basis from Mr Rennocks.

The Board also considers that its policies and procedures are of sufficient strength to ensure that the performance and proceedings of the Company and Group are effectively challenged and controlled.

The Board actively encourages all directors to deepen their knowledge of their roles and responsibilities and to gain a clear understanding of the Group and the environment in which it operates. Newly appointed Board members undergo an induction programme and have received the opportunity to receive formal training. In 2009 the non-executive directors received the opportunity to meet with various members of the Group's management teams on several occasions. Further training for directors is available and offered as appropriate.

The Board has adopted a formal process for reviewing its own effectiveness and that of its individual members. In addition, regular meetings of the non-executive directors are held without the executive directors, and at least once a year, without the Chairman present, in order to evaluate his performance. This process has been in place throughout 2009. A formal review by the Board of its own effectiveness took place in 2009, combined with assessments of individual directors and assessments by the non-executive directors of the Chairman's performance.

Both Sir Andrew Foster and Roger Dye meet the criteria of independence as laid down in Provision A 3.1 of the Revised Code.

Committees

The Board operates three committees, consisting wholly of the non-executive directors (subject to the current dual role of the Chairman) to which it has delegated certain specific responsibilities and each of which has formally adopted terms of reference. These comprise the Nomination, Audit and Remuneration Committees.

Nomination Committee

The Nomination Committee, which makes recommendations to the Board on the appointment of directors, is chaired by John Rennocks. The Committee draws on the advice of such professional advisors as it considers necessary.

In 2009 the Committee comprised John Rennocks, Roger Dye and Sir Andrew Foster.

The terms of reference of the Nomination Committee are regularly reviewed by the Board.

No additions to the composition of the Board were made during the year, so no formal meetings of the Nomination Committee were held. Nonetheless the members of the Committee continued to discuss and keep under review succession planning and in particular the position of Chief Executive. The process of recruiting a full-time successor as Chief Executive to take over from Mr Rennocks is now underway, a process which will necessitate formal meetings of the Committee as and when appropriate during 2010.

Audit Committee

The Audit Committee is chaired by Roger Dye, a chartered accountant and who was until 31st December 2009 the Chief Executive of the Davis Service Group Plc. It comprises the independent non-executive directors, Mr Dye and Sir Andrew Foster, together with the Chairman John Rennocks. Its terms of reference are regularly reviewed by the Board.

The Committee met three times during the year to review the preliminary full year results announcement and the Annual Report for the year ended 31st December 2008 and interim results for the six months ended 5th July 2009 before they were presented to the Board, to receive reports from the external auditors and to make recommendations to the Board on accounting policies. Its primary duties include the monitoring, on behalf of the Board, of compliance with, and the effectiveness of, the Group's accounting and internal control systems. The Committee's duties also include monitoring the scope and results of the Group's annual audit and the independence, general performance and objectivity of its auditors. Having previously agreed and implemented a procedure for reviewing and assessing its own effectiveness, the Committee carried out such a review in the year. From time to time the Chairman of the Committee also meets informally with the auditors.

The Audit Committee have approved the remuneration and terms of engagement of the Company's auditors, BDO LLP. Resolutions are to be put to the Annual General Meeting to seek shareholder approval for the appointment of BDO LLP until the next general meeting and to authorise the Audit Committee to determine their remuneration.

Remuneration Committee

The Remuneration Committee's responsibilities include determining the Group's overall remuneration strategy and the remuneration packages of the executive directors and other senior executives, after having consulted with the Chief Executive and having received professional advice where appropriate from external remuneration consultants. The Committee is also responsible for approving the grant and exercise of executive long-term incentive arrangements. In determining remuneration policy, the Committee is free to obtain such professional advice as it sees fit, and regularly monitors both the policies of comparator companies and current market practice, in order to ensure that the packages provided are sufficient to attract and retain executive directors of the necessary quality. Any professional advice will be obtained only from remuneration consultants or other specialist advisors who are wholly independent of the Group.

The remuneration of non-executive directors, including the Chairman, is a matter for the Company's Board and the Committee's terms of reference make it clear that the framework for the remuneration of the Group's senior executives (including executive directors) must be agreed by the Board as a whole.

The terms of reference of the Committee are regularly reviewed by the Board.

The Committee met twice in the year.

Sir Andrew Foster acted as Chairman of the Remuneration Committee throughout the year. In 2009 the other members of the Committee were Roger Dye and John Rennocks. The remuneration report prepared by the Remuneration Committee is set out in the Annual Report and discloses the remuneration policy of the Company and the remuneration of the directors.

Short biographies of each of the directors, including their membership of the Board's committees outlined above, may be found on page 23.

Attendance at meetings

During 2009 there were seven scheduled meetings of the Board, two meetings of sub-committees of the Board, three meetings of the Audit Committee and two meetings of the Remuneration Committee. With the exception of one of the scheduled meetings of the Board, for which Sir Andrew Foster was unfortunately but unavoidably committed elsewhere at short notice, all directors attended all meetings that they were entitled to attend.

Shareholder relations

The Board, on behalf of the Company and Group, recognises the need to maintain an active dialogue with its shareholders. The Chairman and Finance Director meet regularly with institutional investors and analysts to discuss the Group's performance and all shareholders have access to the senior non-executive director, who is available to discuss any questions which investors may have in relation to the running of the Group. The Board encourages shareholders to attend the Annual General Meeting and is always willing to answer questions, either in the meeting itself or, more informally, afterwards. In addition, shareholders may contact the Company direct through its website www.nestorplc.co.uk.

The Board also recognises the need to ensure that all directors are fully aware of the views of major shareholders about the Group. Copies of all analysts' research relating to the Group are circulated to all directors upon publication, monthly analyses of the shareholder register are made available to the Board and written feedback from shareholders and analysts, prepared by the Company's brokers and public relations advisors, is provided to all directors after every significant corporate event and at least twice a year.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the operating review on pages 10 to 19. The financial position of the Group, its cashflows, liquidity and borrowing facilities are described in the financial review on pages 20 to 22. In addition, note 23 to the financial statements describes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

The directors confirm that, after reviewing the current financial position and cash flows of the Group and of the Company, they have in their opinion a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. This expectation takes into account the current and projected trading and cash flows of the Group in the light of the committed banking facilities available to it. These committed banking facilities were renewed in October 2009, comprising loan, overdraft and other ancillary facilities, committed for a period of four years to October 2013, all on terms satisfactory to the Group, the Company and the directors.

For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

Corporate governance continued

Internal controls

As required by the UK Listing Authority, the Company and the Group have complied throughout the year with the provisions of the Code relating to internal controls, having implemented the procedures necessary to comply with the guidance issued in September 1999 (the Turnbull Committee Report) and to report in line with that guidance

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The directors first adopted a revised comprehensive process for managing, evaluating and reporting on significant risks faced by the Group in 1999. This process has been constantly reviewed and revised in subsequent years, including 2009. The revised (and further refined and extended) process has been in place for the whole of 2009 and up to the date of approval of the Annual Report and Accounts.

The key elements of the system operated by the Group to identify, evaluate and manage significant risks include the following:

- The Group's management operates a formal process for identifying, managing and reporting on operational, clinical and financial risks faced by each of the Group's businesses, whereby each of the risks identified is reviewed in detail by the executive directors on a semi-annual basis. Senior management team review meetings are held on at least a monthly basis at which the Group's business managers and executive team members report on the progress of the companies or discipline for which they are responsible and share best practice. The formal process for identifying discipline-specific risks across the Group's operations encompasses financial, IT, human resources, legal, property and clinical risks. A mechanism also exists to extend the Group's formal risk management processes to any significant new business acquired or begun by the Group immediately upon acquisition or start-up. In this way, the Board is able to confirm that the necessary process has been operated by the Group for the whole of 2009.
- The Audit Committee of the Board reviews a register compiled by the managing director of each of the Group's businesses and registers compiled by certain members of the Group's senior management team, summarising the significant risks faced by the businesses or the Group as a whole, the likelihood of those risks occurring and the steps being taken to minimise or otherwise manage those risks.
- In 2004, the Board took steps better to align its risk management processes with the operational imperatives of the businesses by adopting a risk management process that assists the Group's operational management to identify developing trends at an early stage. This has been used throughout 2009.
- Risk management processes are extended to all aspects of the financial reporting process, both internal and external, including the processes for preparation of consolidated Group accounts.

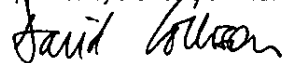
As required by the Turnbull Guidance, the Board has carried out an annual assessment of the effectiveness of the system of internal controls. The processes applied by the Board include:

- At the end of the year, the managing directors of each of the Group's businesses, including the Group's corporate resource, are required to complete and sign a register of the key financial and operational risks facing the business for which they are responsible and to confirm that they have complied throughout the year with the Group's policies and procedures on risk management. From these registers, a report identifying the key risks faced by the Group is compiled and signed by the Chief Executive, Finance Director and Company Secretary, who are also required to confirm their compliance with such procedures and policies. This report and the annual compliance statements of each of the managing directors are reviewed by the Board before the Annual Report and Accounts are approved.
- At each meeting the Audit Committee reviews reports of the senior management team and external auditors, on any issues identified as having a potentially substantial impact on the results of the Group, or areas of control weakness.
- The Audit Committee reviews the effectiveness of the Group's system of managing financial risk and refers any risks it considers significant to the Board for its consideration.
- At least twice a year, the Audit Committee reviews the work plans and results of the external auditors.
- The Audit Committee Chairman reports the outcome of all Audit Committee meetings to the Board, which also receives minutes of all such meetings.

An internal audit function does not currently exist within the Group. The Audit Committee are satisfied that this is appropriate given the extent and rigour of the financial and operational controls in place but intend nonetheless to keep it under regular review.

The Group operates two comprehensive whistleblowing policies, in respect of clinical issues and general operational and financial matters.

Approved by the Board on 11th March 2010 and signed on its behalf by



David Collison
Group Company Secretary

Independent auditors' report to the shareholders of Nestor Healthcare Group plc

We have audited the financial statements of Nestor Healthcare Group plc for the year ended 31st December 2009 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company statements of changes in equity, the Group and Company balance sheets, the Group and Company cash flow statements and the related notes. 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 and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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 explained more fully in the statement of directors' responsibilities, 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 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 (APB'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 Group's and 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.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31st December 2009 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the corporate governance statement set out in pages 37 to 40 of the Annual Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Independent auditors' report to the shareholders of Nestor Healthcare Group plc continued

Matters on which we are required to report by exception

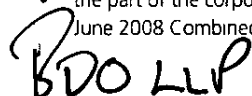
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required 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 Company financial statements and the part of the directors' remuneration report to be audited 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, or
- a corporate governance statement has not been prepared by the Company

Under the Listing Rules we are required to review

- the directors' statement, set out on page 39, in relation to going concern and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review



Richard Kelly (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Hatfield

United Kingdom

11th March 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Group income statement

for the year ended 31st December 2009

	Notes	2009 £000	2008 £000
Revenue	3	151,989	163,289
Cost of sales		(100,479)	(104,727)
Gross profit		51,510	58,562
Administrative expenses		(41,844)	(53,270)
Operating profit	3	9,666	5,292
Other (losses)/gains -- disposal of operations	16	(259)	31,056
Finance income	5	138	238
Finance expense	5	(2,253)	(6,233)
Profit before taxation		7,292	30,353
Tax expense	6	(1,184)	(1)
Profit for the year attributable to owners of the Company		6,108	30,352
Earnings per share			
Basic	9	5 40p	26 90p
Diluted	9	5 38p	26 90p

Group statement of comprehensive income for the year ended 31st December 2009

	Notes	2009 £000	2008 £000
Profit for the year attributable to owners of the Company		6,108	30,352
Other comprehensive income			
Actuarial losses arising in defined benefit pension schemes	31	(3,118)	(5,783)
Current taxation relating to components of other comprehensive income		616	979
Deferred taxation relating to components of other comprehensive income		247	640
Total comprehensive income for the year attributable to owners of the Company		3,853	26,188

Total comprehensive income/(expense) for the Company was the same as its profit/(loss) in both 2009 and 2008 (see note 7)

Group statement of changes in equity

for the year ended 31st December 2009

	Share capital £000	Share premium account £000	Share payment reserve £000	Other reserves £000	Retained (losses)/ earnings £000	Total equity £000
At 1st January 2008	11,284	71,439	931	864	(37,270)	47,248
Total comprehensive income for the year	—	—	—	—	26,188	26,188
Dividends payable to equity shareholders	—	—	—	—	(1,128)	(1,128)
Increase in share payment reserve	—	—	456	—	—	456
At 31st December 2008 and 1st January 2009	11,284	71,439	1,387	864	(12,210)	72,764
Total comprehensive income for the year	—	—	—	—	3,853	3,853
Dividends payable to equity shareholders	—	—	—	—	(2,257)	(2,257)
Issue of shares	1	1	—	—	—	2
Increase in share payment reserve	—	—	539	—	—	539
At 31st December 2009	11,285	71,440	1,926	864	(10,614)	74,901

Company statement of changes in equity

for the year ended 31st December 2009

	Share capital £000	Share premium account £000	Share payment reserve £000	Other reserves £000	Retained earnings/ (losses) £000	Total equity £000
At 1st January 2008	11,284	71,439	931	25,750	40,664	150,068
Total comprehensive expense for the year	—	—	—	—	(55,691)	(55,691)
Dividends payable to equity shareholders	—	—	—	—	(1,128)	(1,128)
Increase in share payment reserve	—	—	456	—	—	456
At 31st December 2008 and 1st January 2009	11,284	71,439	1,387	25,750	(16,155)	93,705
Total comprehensive income for the year	—	—	—	—	50,256	50,256
Dividends payable to equity shareholders	—	—	—	—	(2,257)	(2,257)
Issue of shares	1	1	—	—	—	2
Increase in share payment reserve	—	—	539	—	—	539
At 31st December 2009	11,285	71,440	1,926	25,750	31,844	142,245

Group and Company balance sheets

as at 31st December 2009

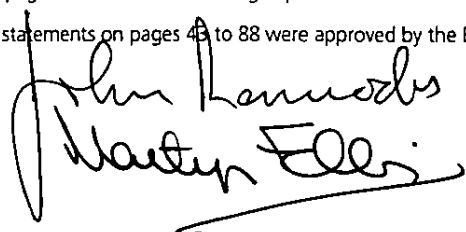
		Group		Company	
	Notes	2009 £ 000	2008 £000	2009 £'000	2008 £000
Non-current assets					
Goodwill	10	92,803	92,798	–	–
Other intangible assets	11	26	111	–	–
Property, plant and equipment	12	2,540	2,449	–	–
Deferred tax assets	17	3,801	3,758	–	–
Investments	14	–	–	111,188	138,649
Non-current assets		99,170	99,116	111,188	138,649
Current assets					
Trade and other receivables	18	25,018	23,980	42,954	312
Current tax asset		–	2,204	–	–
Cash and cash equivalents	21	32	75	1,416	2,016
Current assets		25,050	26,259	44,370	2,328
Current liabilities					
Borrowings – overdrafts	21	(2,862)	(2,091)	–	–
Borrowings – loans	21	–	(17,000)	–	(17,000)
Derivative financial instruments	22	(2,245)	(2,552)	(2,245)	(2,552)
Trade and other payables	19	(16,599)	(14,694)	(68)	(27,720)
Current tax liabilities	19	(331)	–	–	–
Claims in respect of clinical incidents	24	(50)	–	–	–
Employment benefit liabilities	24	(2,430)	(2,430)	–	–
Property provisions	24	(806)	(1,148)	–	–
Current liabilities		(25,323)	(39,915)	(2,313)	(47,272)
Net current (liabilities)/assets		(273)	(13,656)	42,057	(44,944)
Total assets less current liabilities		98,897	85,460	153,245	93,705
Non-current liabilities					
Borrowings – loans	21	(11,000)	–	(11,000)	–
Claims in respect of clinical incidents	24	(3,223)	(3,350)	–	–
Employment benefit liabilities	24	(7,209)	(6,291)	–	–
Property provisions	24	(2,564)	(3,055)	–	–
Non-current liabilities		(23,996)	(12,696)	(11,000)	–
Net assets		74,901	72,764	142,245	93,705
Equity					
Called up share capital	25	11,285	11,284	11,285	11,284
Share premium account	26	71,440	71,439	71,440	71,439
Share payment reserve	26	1,926	1,387	1,926	1,387
Other reserves	26	864	864	25,750	25,750
Retained (losses)/earnings	26	(10,614)	(12,210)	31,844	(16,155)
Equity shareholders' funds		74,901	72,764	142,245	93,705

The notes on pages 48 to 88 form an integral part of these financial statements

The financial statements on pages 43 to 88 were approved by the Board and authorised for issue on 11th March 2010

J L Rennocks

M A Ellis



Group and Company cash flow statements
for the year ended 31st December 2009

	Group		Company	
	2009 £'000	2008 £000	2009 £'000	2008 £000
Operating activities				
Cash generated from operations (note 27)	8,882	10,920	9,213	43,428
Finance charges paid – derivative financial instruments (note 22)	(1,379)	–	(1,379)	–
Finance charges paid – other	(563)	(4,130)	(177)	(3,669)
Finance income received	138	15	–	–
Income taxes refunded/(paid)	2,171	(1,247)	–	–
Net cash generated from operating activities	9,249	5,558	7,657	39,759
Investing activities				
Purchase of property, plant and equipment (note 12)	(1,324)	(336)	–	–
Purchase of businesses and subsidiary undertakings (note 15)	(225)	(784)	–	–
Disposal of operations (note 16)	(259)	35,642	–	52
Net cash (used in)/generated from investing activities	(1,808)	34,522	–	52
Financing activities				
Issue of ordinary share capital (notes 25 and 26)	2	–	–	–
Equity dividends paid to shareholders (note 8)	(2,257)	(1,128)	(2,257)	(1,128)
Decrease in loans from banks	(6,000)	(37,000)	(6,000)	(37,000)
Increase/(decrease) in bank overdrafts	771	(2,413)	–	–
Net cash used in financing activities	(7,484)	(40,541)	(8,257)	(38,128)
Net (decrease)/increase in cash and cash equivalents	(43)	(461)	(600)	1,683
Cash and cash equivalents at the beginning of the year	75	536	2,016	333
Net (decrease)/increase in cash and cash equivalents	(43)	(461)	(600)	1,683
Cash and cash equivalents at the end of the year	32	75	1,416	2,016

Notes to the financial statements

for the year ended 31st December 2009

1 Basis of preparation

Both the Group and 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"). On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes.

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 Group and the Company.

The principal accounting policies are set out below.

Going concern

The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. This expectation takes into account the current and projected trading and cash flows of the Group in the light of the committed banking facilities available to it. These committed banking facilities, comprising loan, overdraft and ancillary facilities, were renewed in October 2009, committed for a period of four years to October 2013, all on terms satisfactory to the Group, the Company and the directors.

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 Group's earnings and financial position are bad debt provisioning, valuation of intangibles including goodwill, provisions for pensions, income taxes including tax enquiries, property related items, claims arising from clinical incidents and share-based payments, all of which are discussed in the respective notes.

Adoption of new and revised standards

In the current year the Group has adopted IFRS 8 "Operating Segments", Amendment to IAS 23 "Borrowing Costs", Amendment to IFRS 2 "Share-based Payment: Vesting Conditions and Cancellations", Amendments to IAS 1 "Presentation of Financial Statements: A Revised Presentation", Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations Arising on Liquidation", Amendments to IFRS 1 and IAS 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate", IAS 39 and IFRS 7 (Amendments) "Reclassification of Financial Instruments", Amendment to IFRS 7 "Improving Disclosures about Financial Instruments", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 16 "Hedges of a Net Investment in a Foreign Operation".

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

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:

Revised IAS 24 "Related Party Disclosures"

IAS 27 (amended) "Consolidated and Separate Financial Statements"

IAS 39 (amended) "Financial Instruments: Recognition and Measurement – Eligible Hedged Items"

IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards"

IFRS 3 (revised) "Business Combinations"

IFRS 9 "Financial Instruments"

Amendment to IAS 32 "Financial Instruments: Presentation: Classification of Rights Issues"

Amendments to IFRS 2 "Group Cash-settled Share Based Payment Transactions"

Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives"

Amendments to IFRIC 14 "IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC 17 "Distribution of non-cash Assets to Owners"

IFRIC 18 "Transfers of Assets from Customers"

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

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

2 Accounting policies

Basis of consolidation

The accounting reference date of the Group, comprising the Company and all its trading subsidiary undertakings, is 31st December. These financial statements are accordingly presented for the year to 31st December 2009.

Subsidiaries are those companies controlled directly or indirectly by Nestor Healthcare Group plc. Control exists where the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The results of businesses acquired are included from the effective date of acquisition and businesses sold are included up to the effective date of disposal. The effective date of acquisition or disposal is considered to be the date when control passes. Acquisitions have been accounted for using the purchase method of accounting. The cost of acquisition so accounted for includes directly related capitalised costs.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Revenue

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised when services are supplied to external customers against orders received. In the Social Care business segment, the point of supply is generally defined as the point at which a service user has received care services from the Group, which are usually provided on a daily basis. In the Primary Care business segment, revenue is recognised either on the delivery of specific services or, for capacity-related contracts, on a time-elapsing basis as the principal contractual obligation is to provide an agreed level of capacity over a fixed term. There is generally no obligation under these contracts to carry forward non-utilised capacity.

In the current year, the Group has entered into certain contracts, generally with Primary Care Trusts, for the operation of walk-in health centres. Under the terms of these contracts, patterns of billing for services rendered and associated cash collection are not always consistent with the timing of provision of these services. In the case of these contracts, revenue is recognised over the life of the contract in line with the pattern of provision of the associated services.

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.

Borrowing costs

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

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the period end exchange rates.

Notes to the financial statements continued

for the year ended 31st December 2009

2 Accounting policies continued

Leases

Payments under operating lease arrangements are charged to the income statement on a straight line basis

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 Group'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 Group intends to settle its current tax assets and liabilities on a net basis.

Goodwill

Where the cost of acquisition exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised. Goodwill is tested for impairment annually and also when indicators suggest that the carrying value may not be recoverable. Goodwill is carried at cost less amortisation charged prior to the Group's transition to IFRS on 1st January 2004, less accumulated impairment losses. Any impairment is recognised in the period in which it is identified.

Group goodwill derives from the acquisition of businesses and subsidiary undertakings in 2007 and prior years. The directors have specifically evaluated the carrying values of goodwill for each such acquisition. The recoverable amount of goodwill in each cash-generating unit is determined based on value-in-use calculations. These calculations require the use of estimates for cash flow projections based on financial budgets approved by management, extrapolated using estimated growth rates which do not exceed the long-term average growth rate for the businesses in which the unit operates. Key assumptions used for value-in-use calculations are budgeted operating profit, depreciation and capital expenditure, working capital requirements growing in line with the nominal annual growth rates assumed beyond the budgeted period, and using a pre-tax discount rate.

Prior to the adoption of IFRS, goodwill was amortised over a period not exceeding 20 years. Following the adoption of IFRS, goodwill is not amortised. Prior to 1st January 1998, purchased goodwill was written off to reserves on acquisition. Under IFRS 1, such goodwill is not recognised on transition to IFRS nor is the goodwill transferred to the income statement on disposal of the investment, or if the investment becomes impaired.

Other intangible assets

Other intangible assets represent the capitalised value of customer contracts. Such contracts are capitalised at fair value and amortised over a period equal to the remaining life of each contract. The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Such impairments and amortisation are charged to administrative expenses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated so as to write down the cost of these assets to their estimated residual value in equal instalments over their estimated useful lives. The ranges of estimated useful lives for each major asset category, which are reviewed annually, are:

Plant and equipment, fixtures and fittings (including computer equipment)	3 to 8 years
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The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group 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 Group 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.

Retirement benefits

The costs of providing pensions under defined benefit schemes are calculated using the projected unit credit method and spread over the period during which benefit is expected to be derived from the employee's services, in accordance with the advice of qualified actuaries. Pension obligations are measured at the present value of estimated future cash flows discounted at rates reflecting the yields of high quality corporate bonds. Pension scheme assets are measured at fair value at the balance sheet date. Actuarial gains and losses, differences between the expected and actual returns, and the effects of changes in actuarial assumptions are recognised in the statement of comprehensive income in the year they arise.

The Group's contributions to defined contribution schemes are charged to the income statement as incurred.

Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, where the amount of the obligation can be reliably estimated and it is probable that the Group will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense. Where appropriate, future legal costs arising from the past event giving rise to the obligation are included in this provision.

Where the Group has a possible obligation as a result of a past event that may, but probably will not, result in an outflow of economic benefits, no provision is made. Disclosures are made of the contingent liability including where practicable an estimate of the financial effect, uncertainties relating to the amount or timing of the outflow of resources, and the possibility of any reimbursement.

Notes to the financial statements continued

for the year ended 31st December 2009

2 Accounting policies continued

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

Share-based payments

IFRS 2 has been applied to all grants of equity instruments after 7th November 2002 in accordance with the provisions of the standard. The Group issues equity-settled share-based payments to certain employees under the terms of various employee share and share option schemes, including long-term incentive plans and Save As You Earn share option schemes. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value so determined at the grant date is expensed on a straight line basis over the vesting period, based on an estimate of the shares that will ultimately vest, and adjusted for the effect of non-market based vesting conditions. Fair value has been measured using a stochastic simulation modelling valuation method.

The fair values of awards granted prior to 7th November 2002 have not been charged to income.

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group 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 Group 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 Group has entered into interest rate derivative contracts to hedge its exposure to changes in interest rates (note 22). These derivative financial instruments are initially recognised at fair value at the date each contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in finance income or expense in the income statement immediately. The fair value of these interest rate derivatives is obtained using quotations supplied by the counterparty banks.

Other than the interest rate derivatives noted above, the Group has not designated any other 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 Group are reasonable approximations of their respective fair values (note 23).

Financial instruments issued by the Group 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 23, the Group considers its capital to consist of ordinary share capital, share premium reserve, share payment reserve, other reserves and retained earnings.

3 Segmental reporting

In the current year, the Group has adopted IFRS 8 "Operating Segments". This has led to the re-presentation of the comparative segmental information to comply with the requirements of this standard. For reporting purposes, the Group's results for the period ended 31st December 2009 have been analysed between Social Care and Primary Care. In the year to 31st December 2008, a third reportable segment, Carewatch, was sold. The types of services from which each reportable segment derives its revenues are discussed within the directors' report.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed regularly by the chief operating decision makers in order to allocate resources to the segment and to assess its performance. Reportable segment profit represents operating profit earned by each segment. Corporate expenses have been allocated to operating segments on a specific basis where possible. Where not possible, no allocation has been made. Categories of expense which, in accordance with this policy, have not been allocated include those regarded as core head office costs such as costs of the Board of directors, central finance and treasury operations, and the costs entailed in operating as a publicly quoted company. In addition, unallocated corporate expenses charged in 2008 included £2,607,000 in relation to onerous lease obligations on properties no longer occupied, £3,458,000 in relation to claims in respect of two past clinical incidents, and £1,426,000 in relation to termination costs for one director and certain other senior managers. These costs were not allocated as the directors determined that any allocation could not have been fair or appropriate in view of the nature of the costs incurred. There is no difference in the basis of accounting for intersegment transactions and external transactions.

The operational analysis of revenue and operating profit, which is consistent with the measures reported to the chief operating decision makers is as follows:

	2009 £000	2008 £000
Reportable external revenue by operating segment		
Social Care	107,030	104,532
Primary Care	44,959	49,304
Carewatch	–	9,453
Total Group external revenue	151,989	163,289

Notes to the financial statements continued
for the year ended 31st December 2009

3 Segmental reporting continued

	2009 £000	2008 £000
Intersegment revenue		
Social Care	98	11
Primary Care	751	165
Carewatch	–	–
Total Group intersegment revenue	849	176

	2009 £000	2008 £000
Reportable profit by operating segment		
Social Care	10,295	8,528
Primary Care	2,439	4,250
Carewatch	–	3,337
Total profit for reportable operating segments	12,734	16,115

	2009 £000	2008 £000
Profit for the year		
Total profit for reportable operating segments	12,734	16,115
Unallocated corporate expenses	(3,068)	(10,823)
Group operating profit	9,666	5,292
Other (losses)/gains – disposal of operations	(259)	31,056
Finance income	138	238
Finance expense	(2,253)	(6,233)
Profit before taxation	7,292	30,353
Tax expense	(1,184)	(1)
Profit for the year	6,108	30,352

	2009 £000	2008 £000
Reportable segment assets		
Social Care	65,951	64,578
Primary Care	53,391	53,193
Total assets for reportable segments	119,342	117,771

	2009 £000	2008 £000
Assets		
Total assets for reportable segments	119,342	117,771
Unallocated corporate assets	4,878	7,604
Total Group assets	124,220	125,375

Total Group assets comprise total non-current assets together with total current assets

	2009 £000	2008 £000
Reportable segment liabilities		
Social Care	9,242	8,508
Primary Care	6,245	5,381
Total liabilities for reportable segments	15,487	13,889

	2009 £000	2008 £000
Liabilities		
Total liabilities for reportable segments	15,487	13,889
Unallocated corporate liabilities	19,970	19,631
Total Group liabilities	35,457	33,520

Total Group liabilities comprise total non-current liabilities together with total current liabilities, excluding all borrowings

There were no assets or liabilities remaining within the Carewatch reportable segment at the end of either the current or prior year

	Capital expenditure 2009 £000	Depreciation 2009 £000	Amortisation of intangibles 2009 £000
Analysis of other segment items – 2009			
Social Care	144	304	85
Primary Care	1,175	657	–
Total for reportable segments	1,319	961	85
Unallocated corporate items	5	272	–
Total	1,324	1,233	85

	Capital expenditure 2008 £000	Depreciation 2008 £000	Amortisation of intangibles 2008 £000
Analysis of other segment items – 2008			
Social Care	136	281	374
Primary Care	130	695	–
Carewatch	10	21	–
Total for reportable segments	276	997	374
Unallocated corporate items	60	414	–
Total	336	1,411	374

4 Operating profit

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Operating profit is stated after charging/(crediting)				
Employee costs (note 29)	108,529	111,499	–	–
Share-based payment charge (note 29)	539	456	–	–
Amortisation of intangible assets	85	374	–	–
Depreciation of property, plant and equipment	1,233	1,411	–	–
Gain on sale of property, plant and equipment	–	(1)	–	–
Loss/(gain) on disposal of business	259	(31,056)	–	–
Operating lease rentals				
Land and buildings	2,210	2,863	–	–
Plant and machinery	1,026	1,325	–	–

Notes to the financial statements continued

for the year ended 31st December 2009

4 Operating profit continued

Remuneration of the Company's auditors in respect of audit and all other services was as shown below

	2009 £000	2008 £000
Fees payable for the audit of the annual accounts of the Group and Company	142	165
Fees payable for other services		
The audit of the Company's subsidiaries, pursuant to legislation	20	18
Other services supplied pursuant to legislation	–	108
Fees payable for other services	20	126
Total fees payable to the Company's auditors	162	291

Auditors' remuneration relating to the statutory audit of the Company of £8,500 (2008 £8,000) was borne by another Group company. Fees payable to the auditors for non-audit services to the Company are not disclosed, due to the fees being disclosed above on a consolidated basis.

5 Finance income and expense

	2009 £000	2008 £000
Finance income		
Bank interest receivable	–	15
Net finance credit on defined benefit pension schemes (note 31)	–	223
Other interest receivable	138	–
Total finance income	138	238
	2009 £000	2008 £000
Finance expense		
Unwinding of discount in property provisions	(259)	(160)
Net finance charge on defined benefit pension schemes (note 31)	(376)	–
Interest payable on bank loans and overdrafts	(546)	(3,942)
Fair value loss relating to interest rate derivative contracts	(1,072)	(2,131)
Total finance expense	(2,253)	(6,233)

6 Taxation

	2009 £000	2008 £000
UK corporation tax charge on taxable profit for the year	(1,912)	(979)
Over provision in previous years – current tax	932	886
Current tax charge	(980)	(93)
Deferred tax (charge)/credit for the year	(407)	340
Over/(under) provision in previous years – deferred tax	203	(248)
Deferred tax (charge)/credit	(204)	92
Tax expense for the year	(1,184)	(1)

The effective tax rate for both years is lower than the average standard rate (28.0% (2008: 28.5%)) of corporation tax for the UK. The differences are explained below:

	2009 £000	2008 £000
Profit at the average standard rate of corporation tax at 28.0% (2008: 28.5%)	(2,042)	(8,649)
Gains not chargeable	–	8,634
Items not deductible	(277)	–
Deferred tax derecognised	–	(624)
Over provision in previous years – current tax	932	886
Over/(under) provision in previous years – deferred tax	203	(248)
Tax expense for the year	(1,184)	(1)

Gains not chargeable to corporation tax in the prior year include the gain on disposal of the Carewatch business. This gain is subject to capital gains tax, and is not expected to result in any material liability due to the availability of £34,000,000 offsetting capital losses. Following this offset further capital losses remain available, as described in note 17. A deferred tax asset has not been recognised in respect of these losses.

7 Loss for the year

The profit after tax for the year dealt with in the accounts of the Company amounts to £50,256,000 (2008: loss of £55,691,000). This profit is after an impairment charge of £28,000,000 (2008: £50,000,000) in respect of investments in subsidiary companies (note 14).

As allowed by the provisions of Section 408 of the Companies Act 2006, the Company has not published its own income statement.

8 Dividends

	2009 £000	2008 £000
Equity dividends paid		
Ordinary shares: final dividend for the previous year: 1.50p per 10p share (2008: 1.00p)	1,693	1,128
Ordinary shares: interim dividend for the current year: 0.50p per 10p share (2008: nil)	564	–
Total dividends paid on equity shares: 2.00p per 10p share (2008: 1.00p per 10p share)	2,257	1,128

In addition, the directors propose a final dividend for the year ending 31st December 2009 of 1.65p per 10p share (cost £1,862,000) and a resolution to this effect will be tabled at the Annual General Meeting.

It is proposed that the dividend will be paid on 11th June 2010 to shareholders who are on the register of members on 14th May 2010.

Notes to the financial statements continued
for the year ended 31st December 2009

9 Earnings per share

Basic earnings per 10p share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has only one category of potentially dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. In the year to 31st December 2009 the only such options were 777,883 options granted in April 2009 under the Share Option Plan 2002 and 1,548,691 options, granted in April 2009, under the Savings Related Share Option Scheme.

	2009 Earnings £000	2009 Weighted average number of 10p shares thousand	2009 Earnings per share pence	2008 Earnings £000	2008 Weighted average number of 10p shares thousand	2008 Earnings per share pence
Earnings per share	6,108	112,845	5.40p	30,352	112,844	26.90p
Dilutive effect of options	–	768	(0.02p)	–	–	–
Diluted earnings per share	6,108	113,613	5.38p	30,352	112,844	26.90p

The total number of share options outstanding at the end of the year was 2,807,416 (2008: 1,200,859). Of these, 480,842 were not potentially dilutive in the year to 31st December 2009 (2008: 1,200,859).

10 Intangible assets – goodwill

	2009 £000
Cost	
At 1st January 2009	160,893
Additions	5
At 31st December 2009	160,898
Aggregate amortisation	
At 1st January 2009 and 31st December 2009	68,095
Net book value	
At 31st December 2009	92,803
	2008 £000
Cost	
At 1st January 2008	165,686
Subsequent reductions relating to acquisitions made in prior years	(1,487)
Eliminated on disposals	(3,306)
At 31st December 2008	160,893
Aggregate amortisation	
At 1st January 2008	68,495
Eliminated on disposals	(400)
At 31st December 2008	68,095
Net book value	
At 31st December 2008	92,798

Group goodwill derives from the acquisition of businesses and subsidiary undertakings in 2007 and prior years. The directors consider that goodwill represents value to the Group for which the recognition of a discrete intangible asset is neither permitted nor appropriate. Such value primarily comprises future economic benefits including additional revenues and operating synergies that it is anticipated may be derived from the business, together with the fair value of the workforce in place at the date of acquisition.

The carrying amounts of goodwill by business segment are as follows:

	2009 £000	2008 £000
Goodwill by business segment		
Social Care	46,901	46,896
Primary Care	45,902	45,902
Total	92,803	92,798

Goodwill is allocated to cash-generating units (CGUs) as follows:

	2009 £000	2008 £000
Goodwill by CGU		
Goldsborough/Medico	42,261	42,256
Country Cousins	1,278	1,278
Patricia White's	3,362	3,362
Social Care	46,901	46,896
Primary Care	45,902	45,902
Total	92,803	92,798

The directors have specifically evaluated the carrying values of goodwill. The recoverable amount of goodwill in each cash-generating unit is determined based on value-in-use calculations. These calculations require the use of estimates for cash flow projections based on one year (2008 three year) financial forecasts approved by management, extrapolated to ten years using estimated growth rates which do not exceed the long-term average growth rate for the businesses in which the unit operates, before applying a terminal value to these annual cash flows, based on a small multiple of year ten cashflows. Key assumptions used for value-in-use calculations are budgeted operating profit, depreciation and capital expenditure, together with working capital (generally receivables less payables) requirements growing in line with nominal assumed growth rates beyond the budgeted period, and a pre-tax discount rate based on the Group's weighted average cost of capital. Management have concluded that it is appropriate to apply the same weighted average cost of capital across all CGUs. Operating profits have been based on past experience and future expectations in the light of anticipated market and economic conditions.

The assumptions applicable to each CGU are detailed below:

	2009 Pre-tax discount rate %	2009 Growth rate %	2008 Pre-tax discount rate %	2008 Growth rate %
Goldsborough/Medico	10.90%	4.50%	8.80%	3.50%
Country Cousins	10.90%	4.50%	8.80%	3.50%
Patricia White's	10.90%	4.50%	8.80%	3.50%
Primary Care	10.90%	4.50%	8.80%	4.50%

The major factor behind the increase in the pre-tax discount rate from the previous year is a change in the ratio of equity to debt in the Group's balance sheet.

Having evaluated the carrying values of goodwill in this way, the directors have concluded that no impairment of goodwill is needed in the year for any cash-generating unit within the Social Care or Primary Care business segments.

Notes to the financial statements continued
for the year ended 31st December 2009

10 Intangible assets – goodwill continued

The recoverable amount for the Primary Care cash-generating unit within the Primary Care segment exceeds its carrying value by £4,700,000 (2008 £5,600,000)

In respect of the Primary Care cash flow projections, a decrease of 1% in the assumed annual growth rate would cause the value-in-use to exceed the carrying value of goodwill by £2,800,000, whilst a decrease of 2% would cause the value-in-use to exceed the carrying value of goodwill by £900,000. Further, an increase in the discount rate applied of 1% would cause the value-in-use to exceed the carrying value of goodwill by £2,000,000, with an increase of 2% causing the carrying value to exceed its value-in-use by £600,000.

If, in respect of the Primary Care CGU, the assumed growth rate fell by 2.5% to 2.0% or the discount rate rose by 1.8% to 12.7%, the carrying value of goodwill and the value-in-use would be the same.

In respect of the Social Care CGUs, the directors have concluded that there are no reasonably possible changes in key assumptions which would cause the carrying value of goodwill to exceed its value-in-use.

11 Other intangible assets

	2009 £000
Cost	
At 1st January 2009 and 31st December 2009	1,925
Aggregate amortisation	
At 1st January 2009	1,814
Charge for the year	85
At 31st December 2009	1,899
Net book value	
At 31st December 2009	26
	2008 £000
Cost	
At 1st January 2008 and 31st December 2008	1,925
Aggregate amortisation	
At 1st January 2008	1,440
Charge for the year	374
At 31st December 2008	1,814
Net book value	
At 31st December 2008	111

Other intangible assets represent the capitalised value of customer contracts acquired via business combinations (acquisitions of businesses and subsidiary undertakings) made since 1st January 2004. Such contracts are capitalised at fair value and amortised over a period equal to the remaining life of each contract. Contract lives so amortised varied between one year and five years. All were within the Social Care business segment at both 31st December 2009 and 31st December 2008.

All of the other intangible assets were owned by subsidiary undertakings of the Company at both 31st December 2009 and 31st December 2008.

The Group carries out reviews of its intangible assets on an annual basis to determine whether events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated as either the higher of the net selling price or value-in-use, the resultant loss (the difference between the carrying amount and the recoverable amount) is recorded as a charge to the consolidated income statement. The value-in-use is calculated as the present value of the estimated future cash flows expected to result from the use of assets in the business being evaluated. In order to determine the present value of estimated future cash flows, the Group uses a discount rate of 10.9% (2008: 8.8%) based on its estimated weighted cost of capital, together with any risk premium as appropriate. Estimated future cash flows used in the impairment calculations represent management's best view of likely market conditions including selling prices, volumes and employment costs. Actual cash flows may differ significantly from these estimates due to the effect of changes in market conditions or to subsequent decisions on the activities of the business. These differences may have a material impact on the asset values, impairments and amortisation expense reported in future periods.

12 Property, plant and equipment

	2009 £000
Group	
Cost	
At 1st January 2009	14,032
Additions	1,324
Disposals	(1,840)
At 31st December 2009	13,516
Depreciation	
At 1st January 2009	11,583
Charge for the year	1,233
Eliminated on disposals	(1,840)
At 31st December 2009	10,976
Net book value	
At 31st December 2009	2,540
	2008 £000
Group	
Cost	
At 1st January 2008	14,076
Additions	336
Disposals	(380)
At 31st December 2008	14,032
Depreciation	
At 1st January 2008	10,518
Charge for the year	1,411
Eliminated on disposals	(346)
At 31st December 2008	11,583
Net book value	
At 31st December 2008	2,449

Notes to the financial statements continued

for the year ended 31st December 2009

13 Commitments

	2009 £000	2008 £000
Capital expenditure that has been contracted but not provided for	-	-

The Company has made commitments to The Pensions Regulator to make cash payments into both defined benefit pension schemes. Cash payments of £1,280,000 will be paid each year up to and including 2012 into the Nestor Healthcare Group Retirement Benefits Scheme, whilst cash payments of £1,150,000 will be paid each year up to and including 2013 into the Healthcall Group Limited Pension Scheme. Both commitments were made following finalisation of the actuarial valuations carried out in 2006. These commitments, when made, were intended to ensure that the funding deficits on both schemes would be eliminated by no later than 2013. Preliminary calculations for the purpose of updated actuarial valuations as at 5th April 2009 in respect of the Nestor Healthcare Group Retirement Benefits Scheme and as at 1st November 2009 in respect of the Healthcall Group Limited Pension Scheme are now underway. These valuations, when completed, may lead to different contribution schedules and commitments being agreed with The Pensions Regulator.

14 Investments

	Investment in subsidiaries 2009 £000
Company	
At 1st January 2009	138,649
Impairment	(28,000)
Capital contributions for share-based payments	539
At 31st December 2009	111,188

At the beginning of the year, investments in subsidiary companies amounted to £138,649,000 (2008: £188,245,000), inclusive of capital contributions of £90,000,000 made in the course of group restructuring in previous years. In the year an impairment charge of £28,000,000 (2008: £50,000,000) has been accounted for by the Company in relation to the value of the investment in its subsidiary companies. This charge has been included within administrative expenses in the accounts of the Company.

The directors have specifically evaluated the carrying values of the investments. The recoverable amount of investments is determined based on value-in-use calculations. These calculations require the use of estimates for cash flow projections based on one year (2008: three year) financial forecasts approved by management, extrapolated to ten years using estimated growth rates which do not exceed the long-term average growth rate for the businesses in which the unit operates, before applying a terminal value to these annual cash flows, based on a small multiple of year ten cashflows. Key assumptions used for value-in-use calculations are budgeted operating profit, depreciation and capital expenditure, together with working capital (generally receivables less payables) requirements growing in line with nominal assumed growth rates beyond the budgeted period, and a pre-tax discount rate based on the Group's weighted average cost of capital. Operating profits have been based on past experience and future expectations in the light of anticipated market and economic conditions. The assumptions used to evaluate the value-in-use of investments are a pre-tax discount rate of 10.9% (2008: 8.8%) and an assumed weighted average growth rate of 4.5% (2008: 3.7%).

Having evaluated the carrying values of the investments in this way, the directors have concluded that an impairment charge of £28,000,000 (2008: £50,000,000) is required in respect of the carrying value of its investments.

	Investment in subsidiaries 2008 £000
Company	
At 1st January 2008	188,245
Disposals	(52)
Impairment	(50,000)
Capital contributions for share-based payments	456
At 31st December 2008	138,649

Except where stated, the following subsidiary companies are wholly-owned including 100% voting rights, operate in the UK and are registered in England and Wales. All companies have been included in the consolidated results of the Group.

Principal undertakings

Undertaking	Business
Nestor Primicare Services Limited ¹	UK healthcare services in primary and social care
Helenus Limited	Intermediate holding company

¹ The interest of Nestor Healthcare Group plc 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.

Related party transactions

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Group had no material transactions with other related parties during the year.

Details of any transactions with directors are set out in the remuneration report. Compensation of directors and key management is disclosed in note 30. During the year there were no other material transactions or balances between the Group and its key management personnel or members of their close families.

Company

The Company receives dividends from, and recharges certain costs to, subsidiary undertakings in the normal course of business. Dividend income received in the year amounted to £80,000,000 (2008: £nil). Amounts recharged to subsidiaries amounted to £99,000 (2008: £134,000). Amounts outstanding at 31st December 2009 and 31st December 2008 between the Company and subsidiary undertakings are disclosed in notes 18 and 19.

15 Purchase of businesses and subsidiaries

No purchases of companies or businesses were made in 2008 or 2009. During the year deferred consideration of £225,000 (2008: £784,000) was paid in respect of acquisitions made in 2007.

Notes to the financial statements continued
for the year ended 31st December 2009

16 Disposals

On 3rd October 2008, the Group completed the sale of the trade and assets of the Carewatch franchise business to a third party for a consideration finally determined at £36,726,000. At the same time the Group sold to the same party, the entire share capital of Carewatch Care Services Limited, a dormant company, for a consideration of £52,000.

	As at 31 12 2008 £000	Cash flows in 2009 £000	As at 31 12 2009 £000
Cash flows in respect of disposal of business			
Total consideration	37,000	(222)	36,778
Total cash flows in respect of disposal	37,000	(222)	36,778

Profit on disposal is computed as follows

	£000	£000	£000
Net assets			
Property, plant and equipment	35	–	35
Goodwill	2,906	–	2,906
Trade and other receivables	2,240	–	2,240
Trade and other payables	(595)	–	(595)
Net assets of Carewatch	4,586	–	4,586
 Total consideration	 37,000	 (222)	 36,778
Disposal expenses	(1,358)	(37)	(1,395)
Consideration net of expenses	35,642	(259)	35,383
Profit on disposal	31,056	(259)	30,797

Cash flows in 2009 represent finalisation adjustments. No further adjustments or cash flows are now expected.

17 Deferred tax assets

	2009 £000	2008 £000
Pension liability (note 31)	2,700	2,404
Accelerated capital allowances	1,061	986
Intangible assets	(139)	(111)
Share-based payments	12	–
Other	167	479
Total recognised deferred tax assets	3,801	3,758

The Group also has unprovided potentially recognisable deferred tax assets of £117,000 in relation to trading losses (2008: £607,000) which are currently not expected to reverse. In addition the Group has unprovided potentially recognisable deferred tax assets of £7,550,000 (2008: £7,477,000) in respect of capital losses. All other potentially recognisable tax assets have been recognised and included within non-current assets.

There were no deferred tax assets of the Company at either 31st December 2009 or 31st December 2008.

18 Trade and other receivables

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade receivables				
– Gross	14,163	16,135	–	–
– Allowance for doubtful debts	(482)	(293)	–	–
Amounts owed by Group companies	–	–	42,802	–
Accrued income and other receivables	9,358	6,953	113	312
Prepayments	1,979	1,185	39	–
Trade and other receivables due within one year	25,018	23,980	42,954	312
			2009 £000	2008 £000
Movement in the allowance for doubtful debts				
Balance at the beginning of the year			293	692
Impairment losses recognised, net of recoveries			625	(49)
Amounts written off as uncollectable			(436)	(350)
Balance at the end of the year			482	293

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Accordingly, management believe that there is no further credit risk provision required in excess of normal provision for doubtful receivables. All receivables are due from customers resident in and trading in the UK. The net of the gross value of trade receivables and any related provision represents the carrying value which is equal to fair value. Included in the Group's trade receivables balance are receivables with a carrying value of £4,415,000 (2008: £6,039,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 75 days (2008: 68 days).

	2009 £000	2008 £000
Ageing of past due receivables		
0-30 days	3,035	3,176
30-60 days	366	1,295
60-90 days	271	1,031
More than 90 days	743	537
Total	4,415	6,039

	2009 £000	2008 £000
Ageing of impaired receivables		
Not yet past due	122	–
0-30 days past due	235	–
30-60 days past due	102	77
60-90 days past due	92	116
More than 90 days past due	799	1,264
Total	1,350	1,457

Notes to the financial statements continued
for the year ended 31st December 2009

19 Current liabilities – falling due within one year

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Bank overdrafts (note 21)	2,862	2,091	–	–
Bank loans (note 21)	–	17,000	–	17,000
Derivative financial instruments	2,245	2,552	2,245	2,552
Trade payables	2,399	3,610	–	–
Amounts owed to Group companies	–	–	–	27,667
Other payables	2,821	3,721	–	–
Deferred consideration for acquisitions	–	225	–	–
Accruals and deferred income	8,818	4,746	68	53
Corporation tax	331	–	–	–
Other UK tax and social security	2,561	2,392	–	–
Claims in respect of clinical incidents (note 24)	50	–	–	–
Employment benefit liabilities (note 24)	2,430	2,430	–	–
Property provisions (note 24)	806	1,148	–	–
Total current liabilities	25,323	39,915	2,313	47,272

Of the deferred consideration for acquisitions, £nil (2008: £nil) is contingent upon future profitability of the acquired businesses

20 Non-current liabilities – amounts falling due after more than one year

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Bank loans (note 21)	11,000	–	11,000	–
Claims in respect of clinical incidents (note 24)	3,223	3,350	–	–
Employment benefit liabilities (note 24)	7,209	6,291	–	–
Property provisions (note 24)	2,564	3,055	–	–
Total non-current liabilities	23,996	12,696	11,000	–

21 Net borrowings

		Group		Company	
	Interest rates	2009 £000	2008 £000	2009 £000	2008 £000
Secured					
Bank overdrafts and loans	variable (note 23)	(13,862)	(19,091)	(11,000)	(17,000)
Total borrowings		(13,862)	(19,091)	(11,000)	(17,000)
Cash at bank and in hand		32	75	1,416	2,016
Net borrowings		(13,830)	(19,016)	(9,584)	(14,984)

At 31st December 2009 and 2008 all the bank overdrafts and loans were secured by a fixed and floating charge over Group assets, including property, plant and equipment, investments in subsidiary undertakings and receivables to the values shown on the Group balance sheet

Net borrowings for the Group are summarised as follows

	Repayable within 1 year £000	Repayable between 1 & 2 years £000	Repayable between 2 to 5 years £000	Total £000
Secured				
Bank overdrafts and loans	(2,862)	–	(11,000)	(13,862)
Total borrowings	(2,862)	–	(11,000)	(13,862)
Cash at bank and in hand	32	–	–	32
At 31st December 2009	(2,830)	–	(11,000)	(13,830)
At 31st December 2008	(19,016)	–	–	(19,016)

Net borrowings for the Company are summarised as follows

	Repayable within 1 year £000	Repayable between 1 & 2 years £000	Repayable between 2 to 5 years £000	Total £000
Secured				
Bank loans	–	–	(11,000)	(11,000)
Total borrowings	–	–	(11,000)	(11,000)
Cash at bank and in hand	1,416	–	–	1,416
At 31st December 2009	1,416	–	(11,000)	(9,584)
At 31st December 2008	(14,984)	–	–	(14,984)

22 Derivative financial instruments

Counterparties to the financial instruments entered into by the Group are major international financial institutions with high long-term credit ratings. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

At 31st December 2009 the Group has entered into interest rate derivative contracts to hedge its exposure to changes in interest rates. These contracts are classed as derivative financial instruments. They are initially recognised at fair value at the date each contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resultant gain or loss is recognised within the income statement within finance income or expense. Hedge accounting has not been applied. This practice is considered to be consistent with the requirements of IAS 39 "Financial instruments: Recognition and Measurement".

Market prices or quotations are not available for the particular derivative contracts that the Group has entered into. In the absence of any such market valuations, fair values have been obtained by taking the settlement values advised at each balance sheet date by the respective counterparty banks.

At 31st December 2009 the Group has entered into two such contracts with a combined notional value of £60,000,000. One, for a notional sum of £45,000,000, has the effect of restricting LIBOR rates on that level of borrowings to a range between 4.50% and 7.00%, whilst the other, for a notional sum of £15,000,000, has the effect of restricting LIBOR rates on that level of borrowings to a range between 4.85% and 7.00%. Under the terms of both contracts, the actual three month LIBOR rate at defined quarterly strike dates is compared with both floor and cap levels. No payment is due if actual three month LIBOR is within the range of the respective floor and cap at the strike date. If, however, this actual rate is either below the floor or above the cap, a cash payment will then be triggered. This cash payment, made three months after each quarterly strike date, would be payable by the Group if the actual rate were below the floor, or to the Group if the rate were above the cap, calculated by applying the interest rate shortfall or excess for one quarter to the notional contracted borrowing. In the year ended 31st December 2009, payments of £1,379,000 (2008: £nil) were made.

Notes to the financial statements continued

for the year ended 31st December 2009

22 Derivative financial instruments continued

The contract for the notional sum of £45,000,000 expires in November 2010 whilst that for the notional sum of £15,000,000 expires one month earlier in October 2010

At 31st December 2009 the combined fair value of the two contracts, as advised by the respective counterparty banks, was minus £2,245,000, this negative fair value has been accounted for within current liabilities. At 31st December 2008 the fair value of the same two contracts had been minus £2,552,000. The movement in the fair value of the liability, after accounting for the above cash payments of £1,379,000, amounts to £1,072,000, which has been charged to finance expense in the year.

Prior to completion of the disposal of the Carewatch business on 3rd October 2008, the £60,000,000 notional borrowings of the two contracts were at most times similar to the overall level of actual net borrowings held by the Group. The contracts therefore provided a hedge against the effect of interest rate movements on the Group's actual borrowings, although the precise effectiveness of this was tempered to some extent by the contracts being referenced to three month LIBOR rates whereas interest rates payable on actual borrowings are linked to either bank base rates or one month LIBOR rates, both of which are generally lower. However, since the Carewatch disposal which realised gross cash consideration of £37,000,000 before expenses, actual Group borrowings have been significantly reduced. This differential could have been eliminated at any time since then by a cash settlement, paid to one or both of the banks, thereby cancelling a sufficient proportion of the contracts to bring the continuing notional borrowing broadly into line with actual or projected actual borrowings. Any cash settlement to be made would have been equivalent to the then fair value of the cancelled contract, which should in turn have been equivalent to the respective discounted net present value of the projected quarterly cash payments that would have arisen had the contracts continued.

No such cancellation has been effected in the period between 3rd October 2008 and 31st December 2009, notwithstanding the general policy adopted of not using any financial instrument to enter into what could be regarded as speculative positions. In the opinion of the directors, it would not have been in the interests of the Group to have to settle the associated cash payments required.

23 Financial instruments

The Group 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 Group is exposed and the Group's objectives, policies and processes for measuring and managing them. Unless otherwise stated references to the Group should be considered to apply to the Company as well. Further quantitative information in respect of the financial instruments used and the associated risks is also presented throughout these financial statements and the financial review.

There have been no substantive changes in the Group'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 Group, from which financial instrument risk arises, are trade receivables, cash at bank, bank overdrafts, trade and other payables, floating rate bank loans and interest rate derivative contracts. The Board of directors has overall responsibility for the determination of the Group'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 Group'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, is as follows

	Carrying value £000	2009 Fair value £000	Carrying value £000	2008 Fair value £000
Group				
Financial assets – cash at bank and in hand – sterling	32	32	75	75
Financial assets – trade receivables	13,681	13,681	15,842	15,842
Financial assets – loans and receivables	13,713	13,713	15,917	15,917
Total financial assets	13,713	13,713	15,917	15,917
Short-term financial liabilities – bank overdrafts	(2,862)	(2,862)	(2,091)	(2,091)
Short-term financial liabilities – trade payables	(2,399)	(2,399)	(3,610)	(3,610)
Short-term financial liabilities – other payables	(2,821)	(2,821)	(3,721)	(3,721)
Short-term financial liabilities – bank loans	–	–	(17,000)	(17,000)
Long-term financial liabilities – bank loans	(11,000)	(11,000)	–	–
Financial liabilities at amortised cost	(19,082)	(19,082)	(26,422)	(26,422)
Interest rate derivatives	(2,245)	(2,245)	(2,552)	(2,552)
Financial liabilities at fair value through profit and loss	(2,245)	(2,245)	(2,552)	(2,552)
Total financial liabilities	(21,327)	(21,327)	(28,974)	(28,974)
Net financial liabilities	(7,614)	(7,614)	(13,057)	(13,057)
	Carrying value £000	2009 Fair value £000	Carrying value £000	2008 Fair value £000
Company				
Financial assets – cash at bank and in hand – sterling	1,416	1,416	2,016	2,016
Financial assets – amounts due from Group companies	42,802	42,802	–	–
Financial assets – loans and receivables	44,218	44,218	2,016	2,016
Total financial assets	44,218	44,218	2,016	2,016
Financial liabilities – amounts due to Group companies	–	–	(27,667)	(27,667)
Short-term financial liabilities – bank loans	–	–	(17,000)	(17,000)
Long-term financial liabilities – bank loans	(11,000)	(11,000)	–	–
Financial liabilities at amortised cost	(11,000)	(11,000)	(44,667)	(44,667)
Interest rate derivatives	(2,245)	(2,245)	(2,552)	(2,552)
Financial liabilities at fair value through profit and loss	(2,245)	(2,245)	(2,552)	(2,552)
Total financial liabilities	(13,245)	(13,245)	(47,219)	(47,219)
Net financial assets/(liabilities)	30,973	30,973	(45,203)	(45,203)

Notes to the financial statements continued
for the year ended 31st December 2009

23 Financial instruments continued

Financial assets and liabilities determined by category are accordingly as follows

	2009 £000	Group 2008 £000	Company 2009 £000	2008 £000
Financial assets – loans and receivables	13,713	15,917	44,218	2,016
Financial assets – total	13,713	15,917	44,218	2,016
Financial liabilities at amortised cost	(19,082)	(26,422)	(11,000)	(44,667)
Financial liabilities at fair value through profit and loss	(2,245)	(2,552)	(2,245)	(2,552)
Net financial (liabilities)/assets	(7,614)	(13,057)	30,973	(45,203)

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, except as security against bank borrowings (note 21)

Further disclosures on the interest rate derivatives included within financial liabilities at fair value are contained within note 22

Income and expense in relation to financial instruments are disclosed in note 5

Market risk

Market risk represents the potential for changes in foreign exchange rates and interest rates to affect the Group's profit and the value of its financial instruments. In general the Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns. At 31st December 2008 and 31st December 2009 this general objective had been partially modified by the particular position with regard to the interest rate derivative financial instruments referred to in note 22

Foreign exchange risk

The Group has no significant currency exposure to any foreign currency. No sensitivity analysis has therefore been carried out.

Interest rate risk

The interest rate profile of the financial liabilities of the Group and Company was

	Group floating rate financial liabilities £000	Company floating rate financial liabilities £000
At 31st December 2009 – bank borrowings – all sterling	13,862	11,000
At 31st December 2008 – bank borrowings – all sterling	19,091	17,000

All financial liabilities other than bank borrowings have been excluded from this analysis due to their short-term nature

Floating rate interest rates that apply to bank borrowings are linked either to LIBOR (in the case of revolving credit loans) or bank base rates (in the case of overdrafts). Revolving credit loans are generally rolled over for periods of one month, so that the LIBOR rate applied will in consequence be, or approximate to, one month sterling LIBOR.

The Group's cash and cash equivalents of £32,000 (2008: £75,000) comprises certain bank balances that cannot be offset against bank overdraft balances, and cash in hand.

The Company's cash and cash equivalents at 31st December 2009 of £1,416,000 (2008: £2,016,000) all consisted of floating rate financial assets. These comprise bank balances, the Company did not have any bank overdraft balances at either 31st December 2008 or 2009 to offset against these.

The floating rate cash and cash equivalents earn interest at rates based on bank base rates and are all recoverable within one year or on demand. The cash and cash equivalents on which no interest is received represent cash in hand. The effect of variations in interest rates on finance income generated from these financial assets is considered to be generally not material.

Interest rate risk – sensitivity analysis

In the year ended 31st December 2009 the Group's overall net borrowings have averaged approximately £17,000,000. All of these borrowings bear interest at variable rates. The impact of a reduction in the variable interest rate applicable (whether bank base rate or one month sterling LIBOR) of 1 percentage point would accordingly be to increase Group pre-tax profit by approximately £170,000 per annum, other things being equal. Similarly the impact of an increase of 1 percentage point would be to reduce pre-tax profit by approximately £170,000 per annum.

The impact of interest rate variations on the fair value of the interest rate derivative contracts and the associated cash payments or receipts that could fall due also needs to be considered. Whilst three month LIBOR rates remain below the contracted floors of either 4.50% or 4.85% (which was the case at 31st December 2009) then this would trigger cash payments under the contracts. If three month LIBOR were to be 0.5% at a particular strike point, the cash payment immediately following would be £613,000. If the rate were instead to be higher by 1 percentage point, i.e. 1.5%, then this quarterly payment would be lower by £150,000.

If three month LIBOR were to rise above the cap of 7.00%, then cash receipts for the Group would be triggered to an equal and opposite amount as if the rate were below the floor(s), although in the opinion of the directors the likelihood of this occurring in the lifetime of the contracts (prior to November 2010) is very low.

The impact of variations in three month LIBOR on the fair value of the derivative contracts will depend, inter alia, on the current rate, the expectation of what the rate will be at all future strike points through to the end of the contracts, and assumed discount rates. Quantification is accordingly imprecise. Nonetheless, if the rate of three month LIBOR (actual and/or expected) were to fall by 1 percentage point, then fair value of the two contracts combined would probably become more negative by an amount in the range £450,000 to £500,000, other things being equal. This would result in a charge of an equivalent amount being made to finance expense immediately on recognition.

The Group's sensitivity to interest rate risk may be summarised as follows:

	2009 £000	2008 £000
Sensitivity of bank interest expense		
1% increase in bank base rate or one month sterling LIBOR	170	200
Sensitivity of cash payments under derivative contracts		
1% increase in three month LIBOR	(150)	(150)
Sensitivity of interest expense in relation to the fair value of derivative contracts		
1% decrease in three month LIBOR	range 450 to 500	800 to 1,200

Credit risk

The directors consider that, by the nature of the Group's business and customers, its exposure to credit risk is very limited. In particular, concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Accordingly management believe that there is no further credit risk provision required in excess of normal provision for doubtful receivables. All receivables are due from customers resident in and trading in the United Kingdom. The net of the gross value of trade receivables and any related bad debt provision represents the carrying value, which is equal to fair value.

Credit checks are not generally carried out for new customers given their usual status as large public bodies such as Local Authorities, Primary Care Trusts, Police Authorities and secure institutions. Private patients of the Social Care businesses are requested to pay by direct debit wherever possible. Considerable resource is expended on the Group's credit control activity so as to optimise the control of trade receivables and in particular to minimise debtor days outstanding, overdue receivables and the need for any impairments.

Notes to the financial statements continued

for the year ended 31st December 2009

23 Financial instruments continued

The Group records impairment losses on its trade receivables separately from gross receivables. In 2009 the allowance increased from £293,000 at 31st December 2008 to £482,000 at 31st December 2009.

An analysis of trade and other receivables is contained in note 18.

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial obligations as they fall due. The Group's strategy and policy in respect of managing liquidity risk is to ensure that the Group has sufficient liquid funds at all times to meet all of its actual and potential liabilities as they fall due, including anticipated shareholder distributions. Sensitivities are applied to all projections of liabilities and liquid resources to ensure that resources will remain sufficient under all reasonable downside projections.

Liquidity forecasts are produced on a weekly basis, or when drawing on the facilities, to ensure that utilisation of current facilities is optimised, and also on a monthly and quarterly basis to project compliance with covenant compliance targets agreed with the Group's bankers and to ensure that medium-term liquidity is maintained.

The maturity profile of the bank borrowings of the Group and Company, including interest payments (not discounted) at 31st December 2009 was as shown in the table below. Interest payments have been calculated using LIBOR rates at the year end, except where rates had already been contracted.

	Group 2009 £000	Company 2009 £000
Within one year, or on demand	3,315	360
Between one and two years	360	360
Between two to five years	11,660	11,660
At 31st December 2009	15,335	12,380

	Group 2008 £000	Company 2008 £000
Within one year, or on demand	19,819	17,642
At 31st December 2008	19,819	17,642

The Group had the following undrawn floating rate committed borrowing facilities available in respect of which all conditions precedent had been met at that date:

	2009 £000	2008 £000
Expiring		
Within one year	–	5,836
Between two to five years	11,138	–

All the above facilities incur commitment fees at market rates.

During the year, the Group successfully concluded discussions on renewed banking facilities with its bankers. The new facility is in place for a period of four years from 29th October 2009, and comprises a revolving credit facility of £25,000,000, together with an additional facility of £7,500,000 in respect of performance bonds and guarantees. A margin of 2.75% over LIBOR is payable on amounts drawn down under this facility.

An arrangement fee of £500,000 was payable on commitment to the above credit facility, equivalent to 2% of the revolving credit facility.

These facilities are considered to be adequate to meet all of the Group's cash flow requirements for the foreseeable future barring the potential impact of any extreme circumstances that could not reasonably be anticipated.

Revised financial covenants have been agreed with the Group's bankers and incorporated into the terms of the renewed credit facility entered into in October 2009. There are three such covenants, these relating respectively to cash flow, interest cover and leverage.

The terms of the cash flow covenant are that the ratio of cash flow (as defined) to finance charges (defined as being bank interest payable) shall be not less than 1.25 on a rolling annual basis, measured quarterly. At 31st December 2009 the actual ratio was 19.43.

The terms of the interest cover covenant are that the ratio of EBITDA (being profit before net finance expense, depreciation, amortisation, share-based payments charge and any other exceptional or non-cash charge) to finance charges (defined as being bank interest payable) shall be not less than 5.00 on a rolling annual basis, measured quarterly. At 31st December 2009 the actual ratio was 21.10.

The terms of the leverage covenant are that the ratio of net debt (being total borrowings net of any cash balances) to EBITDA (as defined above) shall be not more than 2.50 on a rolling annual basis, measured quarterly. At 31st December 2009 the actual ratio was 1.20.

Prior to October 2009 different financial covenants were applied under the terms of the previous credit facility, again measured quarterly. All such covenants were complied with at each of March, June and September 2009.

Capital risk

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions by way of dividends.

The directors continue to monitor the balance of capital and debt funding for the Group though no formal target is currently being applied.

24 Provisions

	Claims in respect of clinical incidents 2009 £000	Pensions 2009 £000	Property 2009 £000	Total 2009 £000
Group – 2009				
At 1st January 2009	3,350	8,721	4,203	16,274
Contributions paid	–	(2,730)	–	(2,730)
Current service cost	–	154	–	154
Finance charge	–	376	–	376
Actuarial loss	–	3,118	–	3,118
Charge to income statement	–	–	31	31
Utilised in the year	(77)	–	(1,123)	(1,200)
Unwinding of discount	–	–	259	259
At 31st December 2009	3,273	9,639	3,370	16,282
Provisions estimated to be settled after more than one year	3,223	7,209	2,564	12,996
Provisions estimated to be settled within one year	50	2,430	806	3,286
Total provisions	3,273	9,639	3,370	16,282

Notes to the financial statements continued
for the year ended 31st December 2009

24 Provisions continued

	Claims in respect of clinical incidents 2008 £000	Pensions 2008 £000	Property 2008 £000	Total 2008 £000
Group – 2008				
At 1st January 2008	–	6,372	2,370	8,742
Contributions paid	–	(3,658)	–	(3,658)
Current service cost	–	447	–	447
Finance credit	–	(223)	–	(223)
Actuarial loss	–	5,783	–	5,783
Charge to income statement	3,458	–	2,716	6,174
Utilised in the year	(108)	–	(1,043)	(1,151)
Unwinding of discount	–	–	160	160
At 31st December 2008	3,350	8,721	4,203	16,274
Provisions estimated to be settled after more than one year	3,350	6,291	3,055	12,696
Provisions estimated to be settled within one year	–	2,430	1,148	3,578
Total provisions	3,350	8,721	4,203	16,274

The Company carried no provisions at either 31st December 2009 or 31st December 2008

Pensions

The actuarial deficits on the Group's two defined benefit pension schemes total £9,639,000 (2008: £8,721,000). The assumptions used in calculating the combined deficit, and description of the schemes and their assets and liabilities generally are further described in note 31.

Property

The Group has a number of properties that are either vacant or sublet at a discount.

The Group property provision of £3,370,000 (2008: £4,203,000) comprises £1,418,000 (2008: £2,351,000) in respect of lease contracts for such properties no longer occupied by the Group, £911,000 (2008: £720,000) in respect of associated lease dilapidations, and £1,041,000 (2008: £1,132,000) in respect of lease dilapidation obligations relating to properties that continue to be occupied. Dilapidations payments are assumed to occur at the end of each relevant lease.

Provision has been made for onerous lease costs taking into account estimates of the length of time properties will be vacant (net of any potential sub-lease income where this can be estimated with a high degree of probability), together with any dilapidations costs and other costs associated with the termination or disposal of leases. In determining the provision for vacant properties, the cash flows have been discounted using the Group's weighted average cost of capital. The estimates used in determining the appropriate level of provision represent management's best view of likely market conditions after taking external advice. Since 31st December 2008, the management view adopted has been more cautious than previously, in view of the property market conditions prevailing at that date and subsequently.

Actual activity may nonetheless differ from these estimates due to the effect of future changes in the property market or subsequent business decisions. These differences may have a material impact on the provisions established for these matters.

Clinical incidents

By the nature of the operations carried out by the Primary Care business segment, the Group from time to time receives notification of clinical incidents which could conceivably lead to claims for damages being made against the Group on the grounds of negligence or other reasons. In the majority of cases such incidents, having been notified, do not in fact lead to a claim being made. Even if claims are made, they may be laid against parties other than the Group. In any event, even if claims are ultimately laid against the Group, they will generally be covered by the Group's insurers subject only to relatively minor excesses. Nonetheless it is possible that in certain circumstances the Group could face a material liability when presented with such claims. Time lags between an original incident and a claim being submitted could typically be long so at any point in time the likelihood of the Group facing such a liability may be difficult to assess.

At 31st December 2008 and 31st December 2009, there were two such claims outstanding where, in the opinion of directors, it was more likely than not that a liability will fall on the Group. The claims arose from incidents that took place in 2001 and 2004. In one case, although the overall liability remains to be determined, any liability that does arise would be shared with a third party. Assessment of the likely eventual liabilities that may arise from these two claims is difficult for the reasons set out above. Nonetheless at 31st December 2008, having taken appropriate external advice, the directors concluded that the most likely outcome, out of a wide range of possible outcomes, was that an eventual liability of £3,350,000 (including costs) would fall on the Group for the two claims combined. A provision was accordingly made for this amount. In the year to 31st December 2009, an amount of £77,000, representing professional fees, has been utilised against this provision. No further charges have been made to the income statement in the year.

25 Share capital

Authorised	2009 Number	2009 £000	2008 Number	2008 £000
Ordinary shares of 10p each				
At 1st January and 31st December	200,000,000	20,000	200,000,000	20,000
Allotted, issued and fully paid				
Ordinary shares of 10p each				
At 1st January	112,844,209	11,284	112,844,209	11,284
Issued during the year	7,606	1	–	–
At 31st December	112,851,815	11,285	112,844,209	11,284

The ordinary shares in issue are considered by the Company to be capital in nature. Neither the Group nor the Company are subject to any externally imposed capital requirements.

26 Share premium account and reserves

	Share premium account 2009 £000	Share payment reserve 2009 £000	Other reserves 2009 £000	Retained (losses)/ earnings 2009 £000
Group – 2009				
At 1st January 2009	71,439	1,387	864	(12,210)
Share-based payments	–	539	–	–
Issue of shares	1	–	–	–
Actuarial losses arising in defined benefit pension schemes	–	–	–	(3,118)
Current taxation effects of gains and losses recognised directly in equity	–	–	–	616
Deferred taxation effects of gains and losses recognised directly in equity	–	–	–	247
Profit for the year	–	–	–	6,108
Dividends paid to equity shareholders	–	–	–	(2,257)
At 31st December 2009	71,440	1,926	864	(10,614)

At 31st December 2009, goodwill written off in prior years directly against retained (losses)/earnings in respect of subsidiaries still held by the Group was £16,891,000 (31st December 2008: £16,891,000).

Notes to the financial statements continued
for the year ended 31st December 2009

26 Share premium account and reserves continued

	Share premium account 2009 £000	Share payment reserve 2009 £000	Other reserves 2009 £000	Retained (losses)/ earnings 2009 £000
Company – 2009				
At 1st January 2009	71,439	1,387	25,750	(16,155)
Share-based payments	–	539	–	–
Issue of shares	1	–	–	–
Profit for the year	–	–	–	50,256
Dividends paid to equity shareholders	–	–	–	(2,257)
At 31st December 2009	71,440	1,926	25,750	31,844

Included in other reserves of the Company at 31st December 2009 are £25,750,000 of distributable reserves (2008 £25,750,000) and no non-distributable reserves (2008 £nil). These other reserves comprise foreign exchange, acquisition and merger reserves and reserves arising from the cancellation of a share premium account, all arising in the period from 1989 to 1992. The retained earnings of the Company as at 31st December 2009 include (£1,292,000) that is categorised as distributable (2008 £(49,291,000)) and £33,136,000 that is non-distributable (2008 £33,136,000). These non-distributable reserves within retained earnings relate to the receipt of a dividend from another Group company as part of a restructuring carried out in 2002, wholly or partially offset by subsequent impairments in investments in Group companies.

During the year, the Company has received dividends of £80,000,000 (2008 £nil) from a subsidiary company, Helenus Limited.

	Share premium account 2008 £000	Share payment reserve 2008 £000	Other reserves 2008 £000	Retained (losses)/ earnings 2008 £000
Group – 2008				
At 1st January 2008	71,439	931	864	(37,270)
Share-based payments	–	456	–	–
Actuarial losses arising in defined benefit pension schemes	–	–	–	(5,783)
Deferred taxation arising on actuarial losses	–	–	–	1,619
Profit for the year	–	–	–	30,352
Dividends paid to equity shareholders	–	–	–	(1,128)
At 31st December 2008	71,439	1,387	864	(12,210)

	Share premium account 2008 £000	Share payment reserve 2008 £000	Other reserves 2008 £000	Retained earnings/ (losses) 2008 £000
Company – 2008				
At 1st January 2008	71,439	931	25,750	40,664
Share-based payments	–	456	–	–
Loss for the year	–	–	–	(55,691)
Dividends paid to equity shareholders	–	–	–	(1,128)
At 31st December 2008	71,439	1,387	25,750	(16,155)

All categories of reserve disclosed above are considered by both Group and Company to be capital in nature. Neither the Group nor the Company are subject to any externally imposed capital requirements.

27 Note to the cash flow statements

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Reconciliation of profit/(loss) to cash generated from operations				
Profit/(loss) after tax for the year	6,108	30,352	50,256	(55,691)
Adjustments for				
Tax expense	1,184	1	-	-
Finance income	(138)	(238)	-	-
Finance expense	2,253	6,233	1,546	5,640
Impairment of investments	-	-	28,000	50,000
Share-based payments	539	456	-	-
Amortisation of intangible assets	85	374	-	-
Depreciation of property, plant and equipment	1,233	1,411	-	-
Gain on sale of property, plant and equipment	-	(1)	-	-
Loss/(gain) on disposal of operations	259	(31,056)	-	-
Changes in working capital				
(Increase)/decrease in trade and other receivables	(1,039)	3,329	(42,641)	16,512
Increase/(decrease) in trade and other payables	2,142	1,597	(27,948)	26,967
Decrease in provisions	(3,744)	(1,538)	-	-
Cash generated from operations	8,882	10,920	9,213	43,428
	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	(43)	(461)	(600)	1,683
Decrease in loans from banks	6,000	37,000	6,000	37,000
(Increase)/decrease in bank overdrafts	(771)	2,413	-	-
	5,186	38,952	5,400	38,683
Net debt at the beginning of the year	(19,016)	(57,968)	(14,984)	(53,667)
Net debt at the end of the year	(13,830)	(19,016)	(9,584)	(14,984)

28 Operating lease commitments

The Group has numerous premises operated under leases whose terms, conditions and expiry dates vary considerably, some of which are no longer occupied by the Group. In addition, the Group leases items of plant and equipment and in particular has entered into a contract hire agreement to lease motor vehicles.

At 31st December 2009 the total future minimum lease payments under non-cancellable operating leases were as follows:

	Plant and equipment including motor vehicles £000	Land and buildings occupied by Group £000	Land and buildings not occupied by Group £000	Total net £000
For leases expiring				
within one year	68	219	499	786
between two and five years	2,643	3,412	2,136	8,191
beyond five years	-	7,623	1,090	8,713
	2,711	11,254	3,725	17,690

Notes to the financial statements continued
for the year ended 31st December 2009

28 Operating lease commitments continued

At 31st December 2008 the total future minimum lease payments under non-cancellable operating leases were as follows

	Plant and equipment including motor vehicles £000	Land and buildings occupied by Group £000	Land and buildings not occupied by Group £000	Total net £000
For leases expiring				
within one year	94	259	31	384
between two and five years	365	4,843	1,974	7,182
beyond five years	2,816	7,358	3,352	13,526
	3,275	12,460	5,357	21,092

Commitments in respect of operating leases for land and buildings are disclosed net of contracted sub-lease income

29 Employees

	2009 £000	2008 £000
Employee costs for the Group (including directors)		
Wages and salaries	100,906	103,293
Social Security costs	6,739	7,155
Pension costs	884	1,051
Share-based payments	539	456
	109,068	111,955

	2009 £000	2008 £000
Average number of persons employed (including directors)		
Full time	991	1,291
Part time	6,502	6,890
	7,493	8,181

	2009 £000	2008 £000
Employee numbers by business segment		
Social Care	6,538	7,074
Primary Care	947	1,099
Corporate	8	8
	7,493	8,181

The Company had no employees (2008: nil) during the year

30 Compensation of directors and key management

Key management included in this analysis are those individuals classed as "Persons discharging managerial responsibilities", as defined in the Financial Services and Markets Act 2000. These individuals are, if not directors, senior executives who have the power to make managerial decisions affecting the future development and business prospects of the Group and Company.

	2009 £000	2008 £000
Directors and other key management		
Salaries and short-term employee benefits	1,397	1,438
Social Security costs	169	162
Post-employment benefits	145	215
Termination benefits	–	994
Share-based payments	254	375
	1,965	3,184
	2009 £000	2008 £000
Directors		
Aggregate emoluments	588	1,170
Employer contributions to money purchase pension schemes	42	42
	630	1,212

Aggregate emoluments of directors include £nil (2008: £570,000) compensation for loss of office. The detailed numerical analysis of directors' aggregate emoluments is included in the table in the remuneration report on page 35, which forms part of these financial statements.

31 Pension commitments

The Group has accounted for pensions in accordance with IAS 19 and the disclosures given below are those required by that standard.

Group defined benefit pension schemes

The Group operates two funded pension schemes providing benefits based on final pensionable salary. The two schemes are the Nestor Healthcare Group Retirement Benefits Scheme (the Nestor Scheme) and the Healthcall Group Limited Pension Scheme (the Healthcall Scheme). Both schemes are closed to new members. The schemes are administered by trustees separately from the affairs of the Group and are contracted out of the additional component of the State Pension Scheme.

Neither scheme holds any investment in any financial instrument issued by the Group. Neither are any of the schemes' property or other assets occupied or used by the Group.

There are no informal practices applied that might give rise to any constructive obligations.

Nestor Scheme

Watson Wyatt Limited, consulting actuaries, carried out an actuarial valuation of the Nestor Scheme as at 5th April 2006. On the actuarial basis used, as at that date, the assessed value of the assets was 75% of the value placed on the liabilities in respect of benefits earned to 5th April 2006, allowing for expected future increases in pensionable earnings to Normal Pension Age, treating the scheme as an ongoing entity. The funding ratio of 75% represented a shortfall of assets compared with the technical provisions of £6,660,000.

The market value of the investments held in the Nestor Scheme as at the valuation date was £20,349,000. In addition there were pensions in payment secured by the purchase of annuities.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of investment return on future net cash flow and the rate of increase in pensionable earnings. These rates were set relative to an assumed long-term rate of price inflation of 3.0% per annum.

Notes to the financial statements continued

for the year ended 31st December 2009

31 Pension commitments continued

The assumed future rate of investment return, used to discount projected income and outgoing benefits, was a real rate of 1.3% per annum relative to price inflation for pensioners and 3.5% per annum before retirement and 1.3% per annum after retirement for non-pensioners. Pensionable earnings were assumed to increase on average at a rate of 2.0% per annum ahead of price inflation with promotional increases assumed in addition.

The employer's contribution rate, currently 24.2% (39.2% for certain past executive directors), is calculated using the projected unit method. The shortfall of assets as at 5th April 2006 of £6,660,000 is being met by a schedule of employer contributions designed to eliminate it by no later than April 2013. As the Nestor Scheme is closed to new members, under the projected unit method the employer's contribution rate will increase as the members of that scheme approach retirement.

An updated actuarial valuation of the Nestor Scheme is being carried out as at 5th April 2009, the results of which will be determined during 2010. This valuation is being carried out by JLT Actuaries and Consultants Limited ("JLTACL"), consulting actuaries (formerly HSBC Actuaries and Consultants Limited) who were appointed as Actuary to the Scheme following the resignation of Watson Wyatt Limited in July 2009.

Healthcall Scheme

Watson Wyatt Limited, consulting actuaries, carried out an actuarial valuation of the Healthcall Scheme as at 1st November 2006. On the actuarial basis used, as at that date, the assessed value of the assets was 62% of the capitalised value of the accrued benefits, allowing for expected future increases in pensionable earnings to Normal Pension Age, treating the scheme as an ongoing entity. The funding ratio of 62% represented a shortfall of assets compared with the technical provisions of £6,630,000.

The market value of the investments held in the scheme as at the valuation date was £10,930,000. In addition there were pensions in payment secured by the purchase of annuities.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of investment return and the rate of increase in pensionable earnings. These rates were set relative to an assumed long-term rate of price inflation of 3.0% per annum.

The assumed future rate of investment return, used to discount projected income and outgoing benefits, was a real rate of 1.2% per annum relative to price inflation for pensioners and 3.6% per annum before retirement and 1.2% per annum after retirement for non-pensioners. Pensionable earnings were assumed to increase on average at the same rate as price inflation.

The employer's contribution rate, currently 29.5%, is calculated using the projected unit method. The shortfall of assets as at 1st November 2006 of £6,630,000 is being met by a schedule of employer contributions designed to eliminate it by no later than October 2013. As the Healthcall Scheme is closed to new members, under the projected unit method the employer's contribution rate will increase as the members of that scheme approach retirement.

An updated actuarial valuation of the Healthcall Scheme is being carried out as at 1st November 2009, the results of which will be determined during 2010. This valuation is being carried out by JLT Actuaries and Consultants Limited ("JLTACL"), consulting actuaries (formerly HSBC Actuaries and Consultants Limited) who were appointed as Actuary to the Scheme following the resignation of Watson Wyatt Limited in July 2009.

Other schemes

The Group also operates several defined contribution schemes with varying rates of employer contribution.

	2009 £000	2008 £000
Pension charge		
Current service cost of defined benefit schemes	154	447
Group contributions to defined contribution schemes	584	394
	738	841
Net finance charge/(credit) relating to defined benefit schemes	376	(223)
Pension charge	1,114	618

The costs of expenses have not been included in the service cost or the pension charge, being paid direct by the Group and charged elsewhere to the income statement. The cost of the expenses associated with the two schemes in the year was £231,000 (2008: £206,000).

At 31st December 2009 £97,000 employer contributions had yet to be paid to the respective schemes (2008: £87,000).

Valuations

The valuation of the liabilities of the Nestor Scheme used for IAS 19 disclosures has been based by JLTACL on the underlying assumptions, and initial results of, the actuarial valuation as at 5th April 2009 (notwithstanding final results of that valuation not yet being available). The valuation of the liabilities of the Healthcall Scheme used for IAS 19 disclosures has been extrapolated by JLTACL from the corresponding IAS 19 disclosures as at 31st December 2008, which were themselves based on the results of this scheme's actuarial valuation as at 1st November 2006. Assets of the schemes are stated at their market valuation at 31st December 2009.

The accounting policy applied in respect of recognised actuarial gains and losses is to account for them immediately and in full within the statement of comprehensive income.

Mortality assumptions

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables, and include an allowance for future improvements in longevity. The assumptions are equivalent to expected longevity at age 65 for members in normal health approximately as follows:

- pensioners currently aged 65: males 20.9 to 21.8 years, females 23.5 to 24.4 years
- non-pensioners currently aged 45: males 22.8 to 23.8 years, females 25.4 to 26.4 years

Commutation assumptions

An allowance has been made in the assumptions adopted as at both 31st December 2009 and 31st December 2008 for members to commute pensions at retirement. It has been assumed that members commute 50% (2008: 20%) of their pension, on the basis of the commutation rates currently in force.

	2009	2008
Financial assumptions used to calculate the schemes' liabilities		
Valuation method	Projected unit	Projected unit
Discount rate	5.80%	6.71%
Inflation rate	3.00%	3.00%
Increases to pensions in payment and deferred pensions*	3.00%	3.00%
Salary increases	3.50%	3.00%

* Different increases assumed for certain elements of pension

	2009	2008
Financial assumptions used to calculate the schemes' net service costs for the year		
Valuation method	Projected unit	Projected unit
Discount rate	5.80%	5.90%
Inflation rate	3.00%	3.30%
Increases to pensions in payment and deferred pensions*	3.00%	3.30%
Salary increases	3.50%	3.30%

* Different increases assumed for certain elements of pension

Notes to the financial statements continued
for the year ended 31st December 2009

31 Pension commitments continued

	Long term rate of return expected on 31st December 2009	Value at 31st December 2009 £000	Long-term rate of return expected on 31st December 2008	Value at 31st December 2008 £000
Assets in the schemes and the expected rates of return				
Equities	8.20%	19,914	8.20%	16,651
Fixed interest securities	4.50 to 5.80%	10,838	5.30%	8,698
Other	5.40%	1,282	6.10%	1,096
Total market value of assets		32,034		26,445
Present value of schemes' liabilities		(41,673)		(35,166)
Deficit in the schemes – pension liabilities		(9,639)		(8,721)
Related deferred tax asset (note 17)		2,700		2,404
Net pension liability		(6,939)		(6,317)

The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations. Consideration is also given to the rate of return expected to be available for reinvestment. The overall expected rate of return on assets is derived as the weighted average of the expected returns from each of the main asset classes.

	2009 £000	2008 £000
Movement in the deficit in the schemes during the year		
Deficit in the schemes at the beginning of the year	(8,721)	(6,372)
Contributions paid	2,730	3,658
Current service cost	(154)	(447)
Net finance (charge)/credit	(376)	223
Actuarial loss	(3,118)	(5,783)
Deficit in the schemes at the end of the year	(9,639)	(8,721)

Components of defined benefit cost for the year were as follows

	2009 £000	2008 £000
Analysis of amounts charged to operating profit		
Current service cost	154	447
Analysis of amounts charged to finance expense		
Interest on pension scheme liabilities	2,327	2,411
Expected return on assets in the pension schemes	(1,951)	(2,634)
Net charge/(credit) to finance expense	376	(223)
Total income statement charge before deduction for tax	530	224

	2009 £000	2008 £000
Analysis of amounts recognised in the statement of comprehensive income		
Actual return on assets	3,973	(10,839)
Expected return on assets	(1,951)	(2,634)
Actuarial gain/(loss) on assets	2,022	(13,473)
Experience (losses)/gains arising on the scheme liabilities	(5,140)	7,690
Actuarial loss recognised in the statement of comprehensive income	(3,118)	(5,783)

	2009 £000	2008 £000
Reconciliation of the present value of defined benefit obligation ("DBO")		
Present value of DBO at the beginning of the year	35,166	41,110
Service cost	154	447
Interest cost	2,327	2,411
Employee contributions	46	103
Actuarial loss/(gain)	5,140	(7,690)
Actual benefit payments including expenses	(1,160)	(1,215)
Present value of DBO at the end of the year	41,673	35,166

	2009 £000	2008 £000
Reconciliation of the fair value of assets		
Fair value of assets at the beginning of the year	26,445	34,738
Expected return on assets	1,951	2,634
Actuarial gain/(loss)	2,022	(13,473)
Group contributions	2,730	3,658
Employee contributions	46	103
Actual benefit payments including expenses	(1,160)	(1,215)
Fair value of assets at the end of the year	32,034	26,445

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
History of experience adjustments					
Present value of defined benefit obligations	(41,673)	(35,166)	(41,110)	(44,982)	(45,866)
Fair value of scheme assets	32,034	26,445	34,738	32,992	29,645
Deficit in the schemes at the end of the year	(9,639)	(8,721)	(6,372)	(11,990)	(16,221)

	2009	2008	2007	2006	2005
Experience gains/(losses) on scheme liabilities					
Amount (£'000)	278	7,690	4,923	2,978	(4,306)
Percentage of present value of scheme liabilities	(0.7%)	21.9%	12.0%	6.6%	(9.4%)
Experience gains/(losses) on scheme assets					
Amount (£'000)	2,022	(13,473)	(1,656)	424	3,252
Percentage of present value of scheme assets	6.3%	50.9%	(4.8%)	1.3%	11.0%

The cumulative amount of actuarial losses, net of gains, recognised in the statement of comprehensive income since adoption of IFRS is £3,436,000 (2008: £316,000)

Notes to the financial statements continued
for the year ended 31st December 2009

32 Share-based payments

Fair values have been calculated and charged to operating profit for all share-based payments. These consist of grants of shares and share options under various schemes to directors, key managers and other employees. Assumptions used and results of the fair value calculations are set out below.

	Exercise price pence	Outstanding awards 01 01 08	Outstanding awards 31 12 08	Outstanding awards 31 12 09	Vesting periods
Savings Related Share Option Scheme – 2003 awards	147.63	11,122	890	–	3 to 5 years
Savings Related Share Option Scheme – 2005 awards	113.84	155,015	12,377	6,386	3 to 5 years
Savings Related Share Option Scheme – 2007 awards	140.04	237,935	107,276	70,849	3 to 5 years
Savings Related Share Option Scheme – 2008 awards	41.40	–	728,531	240,120	3 to 5 years
Savings Related Share Option Scheme – 2009 awards	19.72	–	–	1,548,691	3 to 5 years
Share Option Plan 2002 – 2003 awards	256.98 & 282.82	176,934	103,997	76,326	3 years
Share Option Plan 2002 – 2005 awards	143.53 & 107.59	1,013,551	–	–	3 years
Share Option Plan 2002 – 2009 awards	25.67	–	–	777,883	3 years
Long-term Incentive Plan – deferred shares – 2005 award	–	35,901	–	–	3 years
Performance Share Plan – 2006 award	–	1,014,179	910,245	–	3 years
Performance Share Plan – 2007 award	–	636,217	542,380	542,380	3 years
Performance Share Plan – 2008 awards	–	–	1,352,312	1,352,312	3 years
Performance Share Plan – 2009 award	–	–	–	1,692,668	3 years
		3,280,854	3,758,008	6,307,615	

Assumptions

The share price used in the calculation of fair value has in each case been the share price on the date of grant.

SAYE awards must be exercised within six months of vesting. Assumed life terms have accordingly been set at either 3.25 years or 5.25 years for these awards. Share Option Plan 2002 awards may be exercised within three to ten years from the date of award. Exercise of these options is assumed to be spread through this period. Fixed three year terms have been assumed for the Long-term Incentive Plan ("LTIP") and Performance Share Plan ("PSP") awards.

The expected volatility is based on historical volatility over periods which correspond to the forward life assumptions for each category of award, being 3.25 to 5.25 years for SAYE awards, six years effective average for Share Option Plan 2002 awards and three years for LTIP and PSP awards. Two periods of exceptional volatility have been excluded, with additional historical data substituted in their place.

The risk-free rate of interest assumed is the rate of interest obtainable from government securities over the same expected terms as have been used for the volatility calculations.

The dividend yield assumed has been calculated using publicly available information at the respective grant dates, being the historical dividend yield.

All PSP awards are subject to a total shareholder return ("TSR") vesting condition, as are the awards made in April 2009 (but not previously) under the Share Option Plan 2002. This condition has been allowed for in the calculations of fair value.

Lapsing rates of 10% per annum have been assumed for SAYE awards, 7.5% per annum for share option awards and 0% for LTIP and PSP awards.

Results of calculations of fair value

The fair value of share-based transactions has been calculated using a stochastic simulation modelling technique, developed in consultation with an independent third party advisor, Hewitt New Bridge Street. The charge so calculated for 2009 is £539,000 (2008: £456,000). The elements of this charge analysed by share-based transaction are as follows:

	Fair value of one award £	Total fair value charge 2009 £000	Total fair value charge 2008 £000
Savings Related Share Option Scheme – 2005 awards	0.69 and 0.73	4	9
Savings Related Share Option Scheme – 2007 awards	0.91 and 1.05	50	57
Savings Related Share Option Scheme – 2008 awards	0.20 and 0.21	19	21
Savings Related Share Option Scheme – 2009 awards	0.22 and 0.24	89	–
Performance Share Plan – 2006 award	0.84	46	113
Performance Share Plan – 2007 award	1.07	124	168
Performance Share Plan – 2008 awards	0.39 and 0.26	155	88
Performance Share Plan – 2009 award	0.22	42	–
Share Option Plan 2002 – 2009 award	0.11	10	–
Total charge		539	456

Where earnings per share targets defined within plan rules were not met, amounts previously charged have been credited back to the income statement.

33 Share option schemes

The following table sets out options in issue under the various Company schemes at the beginning and end of the year and movements during the year. 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.

7,606 options (2008: nil) were exercised during the year, all at an exercise price of 19.72p. The weighted average share price for share options exercised during 2009 was therefore 19.72p.

The number of options that had vested and were exercisable at 31st December 2009 was 163,487 (2008: 365,052). The average exercise price of these vested and exercisable options was 322.38p at 31st December 2009 (2008: 330.47p).

The options outstanding at 31st December 2009 had a weighted average remaining contractual life of 4.3 years (2008: 3.2 years).

During the year to 31st December 2007 an adjustment was made to the number of options in issue so as to add a proportion, calculated to be 6.4274%, equivalent to the bonus element of the March 2007 rights issue. Associated with this, an adjustment was also made in 2007 to the exercise price of each option in issue to reduce that by the same proportion.

Notes to the financial statements continued
for the year ended 31st December 2009

33 Share option schemes continued

Movements in the year to 31st December 2009 were as follows

Date of issue	Adjusted option price pence	In issue 1st Jan 2009	Granted in the year	Exercised in the year	Lapsed in the year	In issue 31st Dec 2009
Company Share Option Plan 1996						
April 1999	382 89	5,410	–	–	(5,410)	–
October 1999	560 48	8,798	–	–	(8,798)	–
May 2000	399 33	42,926	–	–	(18,848)	24,078
March 2001	509 74	8,910	–	–	(4,806)	4,104
October 2001	479 20	6,260	–	–	(6,260)	–
		72,304	–	–	(44,122)	28,182
Employee Share Option Scheme 1996						
April 1999	382 89	8,818	–	–	(8,818)	–
May 2000	399 33	45,077	–	–	(26,049)	19,028
March 2001	509 74	26,391	–	–	(12,650)	13,741
October 2001	479 20	4,487	–	–	(4,487)	–
		84,773	–	–	(52,004)	32,769
Share Option Plan 2002						
July 2002	251 35	90,711	–	–	(64,501)	26,210
June 2003	256 98	68,876	–	–	–	68,876
November 2003	282 82	35,121	–	–	(27,671)	7,450
April 2009	25 67	–	777,883	–	–	777,883
		194,708	777,883	–	(92,172)	880,419
Savings Related Share Option Scheme						
April 2003	147 63	890	–	–	(890)	–
April 2005	113 84	12,377	–	–	(5,991)	6,386
May 2007	140 04	107,276	–	–	(36,427)	70,849
June 2008	41 40	728,531	–	–	(488,411)	240,120
April 2009	19 72	–	1,683,246	(7,606)	(126,949)	1,548,691
		849,074	1,683,246	(7,606)	(658,668)	1,866,046
Total		1,200,859	2,461,129	(7,606)	(846,966)	2,807,416

Movements in the year to 31st December 2008 were as follows

Date of issue	Adjusted option price pence	In issue 1st Jan 2008	Granted in the year	Exercised in the year	Lapsed in the year	In issue 31st Dec 2008
Company Share Option Plan 1996						
April 1998	222 22	4,961	–	–	(4,961)	–
April 1999	382 89	5,410	–	–	–	5,410
October 1999	560 48	8,798	–	–	–	8,798
May 2000	399 33	47,188	–	–	(4 262)	42,926
March 2001	509 74	8,910	–	–	–	8,910
October 2001	479 20	6,260	–	–	–	6,260
April 2002	511 15	5,868	–	–	(5,868)	–
		87,395	–	–	(15,091)	72,304
Employee Share Option Scheme 1996						
April 1998	222 22	6,580	–	–	(6,580)	–
April 1999	382 89	8,818	–	–	–	8,818
May 2000	399 33	54,744	–	–	(9,667)	45,077
March 2001	509 74	32,766	–	–	(6,375)	26,391
October 2001	479 20	4,487	–	–	–	4,487
April 2002	511 15	25,433	–	–	(25,433)	–
		132 828	–	–	(48 055)	84,773
Share Option Plan 2002						
July 2002	251 35	125,722	–	–	(35,011)	90,711
October 2002	199 67	120,200	–	–	(120,200)	–
June 2003	256 98	119,463	–	–	(50,587)	68,876
November 2003	282 82	57,471	–	–	(22,350)	35,121
January 2005	143 53	915,954	–	–	(915,954)	–
November 2005	107 59	97,597	–	–	(97,597)	–
		1,436,407	–	–	(1,241,699)	194,708
Savings Related Share Option Scheme						
April 2003	147 63	11,122	–	–	(10,232)	890
April 2005	113 84	155,015	–	–	(142,638)	12,377
May 2007	140 04	237,935	–	–	(130,659)	107,276
June 2008	41 40	–	790,288	–	(61,757)	728,531
		404,072	790,288	–	(345,286)	849,074
Total		2,060,702	790,288	–	(1,650,131)	1,200,859

Notes to the financial statements continued
for the year ended 31st December 2009

34 Share awards

Awards have been made to directors and certain senior managers in each of 2006, 2007, 2008 and 2009 under the Performance Share Plan, the rules of which were adopted in April 2006

In 2007 an adjustment was made to the number of shares that had been potentially awarded in April 2006. This upward adjustment of 6.4274% was made to represent the calculated bonus element of the rights issue that had been made in March 2007. The share price shown in the table below relating to the potential award made in April 2006 has similarly been adjusted downwards by the same percentage.

Movements in the year to 31st December 2009 were as follows

Date of award	Share price at time of award – pence	In issue 1st Jan 2009	Granted in the year	Vested in the year	Lapsed in the year	In issue 31st Dec 2009
April 2006	120.27	910,246	–	–	(910,246)	–
March 2007	159.85	542,380	–	–	–	542,380
May 2008	52.00	1,025,854	–	–	–	1,025,854
Sept 2008	35.15	326,458	–	–	–	326,458
April 2009	25.67	–	1,692,668	–	–	1,692,668
Total		2,804,938	1,692,668	–	(910,246)	3,587,360

Movements in the year to 31st December 2008 were as follows

Date of award	Share price at time of award – pence	In issue 1st Jan 2008	Granted in the year	Vested in the year	Lapsed in the year	In issue 31st Dec 2008
April 2006	120.27	1,014,179	–	–	(103,933)	910,246
March 2007	159.85	636,217	–	–	(93,837)	542,380
May 2008	52.00	–	1,025,854	–	–	1,025,854
Sept 2008	35.15	–	326,458	–	–	326,458
Total		1,650,396	1,352,312	–	(197,770)	2,804,938

Five year summary

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
Group income statement					
Revenue	205,724	172,640	179,623	163,289	151,989
Operating profit	17,433	18,606	13,148	5,292	9,666
Other gains/(losses) – disposal of operations	–	–	–	31,056	(259)
Profit before net finance expense	17,433	18,606	13,148	36,348	9,407
Net finance expense	(5,642)	(4,810)	(4,234)	(5,995)	(2,115)
Profit before taxation	11,791	13,796	8,914	30,353	7,292
Tax expense	(3,140)	(4,227)	(3,085)	(1)	(1,184)
Profit for the year	8,651	9,569	5,829	30,352	6,108
Profit attributable to shareholders	8,448	9,545	5,829	30,352	6,108
Profit attributable to equity minority interests	203	24	–	–	–
Profit for the year	8,651	9,569	5,829	30,352	6,108
Basic earnings per 10p share	9 28p	10 26p	5 39p	26 90p	5 40p

Earnings per share figures for 2006 and prior years have been adjusted to allow for the bonus element of the rights issue made in 2007

Five year summary continued

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
Group balance sheet					
Goodwill	113,839	84,369	97,191	92,798	92,803
Other intangible assets	739	408	485	111	26
Property, plant and equipment	5,105	3,647	3,558	2,449	2,540
Other non-current assets	7,336	5,710	2,964	3,758	3,801
Total non-current assets	127,019	94,134	104,198	99,116	99,170
Current assets excluding cash	39,632	28,031	29,682	26,184	25,018
Current and non-current liabilities excluding borrowings	(47,587)	(33,552)	(28,664)	(33,520)	(35,457)
Net operating assets	119,064	88,613	105,216	91,780	88,731
Net borrowings	(79,889)	(76,698)	(57,968)	(19,016)	(13,830)
Net assets	39,175	11,915	47,248	72,764	74,901
Share capital	8,763	8,763	11,284	11,284	11,285
Share premium account	43,224	43,225	71,439	71,439	71,440
Other reserves	(13,065)	(40,073)	(35,475)	(9,959)	(7,824)
Equity shareholders' funds	38,922	11,915	47,248	72,764	74,901
Equity minority interests	253	—	—	—	—
Total equity	39,175	11,915	47,248	72,764	74,901
	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
Group cash flow statement					
Net cash inflow from operating activities	20,177	20,211	8,010	10,920	8,882
Interest paid, net	(5,526)	(4,495)	(4,202)	(4,115)	(1,804)
Tax (paid)/refunded	(4,390)	(4,513)	(2,277)	(1,247)	2,171
Capital expenditure, net	(326)	(1,109)	(1,475)	(336)	(1,324)
Acquisitions and disposals	(3,735)	749	(8,679)	34,858	(484)
Equity dividends paid	(2,190)	(2,629)	(3,382)	(1,128)	(2,257)
Issue of shares	—	1	30,735	—	2
Decrease in loans and overdrafts	(3,614)	(5,197)	(18,286)	(39,413)	(5,229)
Increase/(decrease) in cash and cash equivalents	396	3,018	444	(461)	(43)

Shareholder information

Financial calendar

Announcement of 2010 results (provisional)	
For the half-year	August 2010
For the year	March 2011
Annual Report and Accounts circulated	March 2011
Annual General Meeting	May 2011

Dividends

Proposed final dividend 2009	
Announcement	11th March 2010
Ex-dividend	12th May 2010
Record date	14th May 2010
Payment date	11th June 2010
Interim dividend 2010 (provisional)	
Announcement	August 2010
Payment	October 2010

Analysis of shareholdings

On 1st March 2010 (the latest practicable date for analysis), the Company had 996 shareholders who held 112,851,815 shares between them, analysed as follows

	Number of shareholders	% of shareholders	Number of shares	% of shares
Size of holding				
1 – 5,000	784	78.71%	796,346	0.71%
5,001 – 50,000	153	15.36%	2,371,960	2.10%
50,001 – 100,000	17	1.71%	1,201,237	1.06%
100,001 and over	42	4.22%	108,482,272	96.13%
	996	100.00%	112,851,815	100.00%
Type of shareholder				
Individuals	756	75.90%	2,233,450	1.98%
Nominee companies*	203	20.38%	95,742,089	84.84%
Other corporate and public bodies	37	3.72%	14,876,276	13.18%
	996	100.00%	112,851,815	100.00%

* This category includes the beneficiaries of pension funds, unit trusts, life assurance companies and investment trusts

Share registrar

The Company's registrar is Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

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