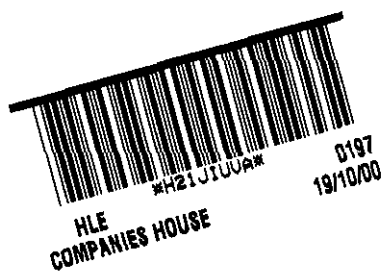


DIRECTORS' REPORTS AND ACCOUNTS

FMS SUPPLIES LIMITED

(Registered Number 3417736)

31 December 1999



FMS SUPPLIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

CONTENTS	PAGES
Directors and advisors	2
Directors' report	3
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

FMS SUPPLIES LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

JAS Jewitt
DO Lyon
M Stokes

SECRETARY AND REGISTERED OFFICE

CER Thomas
The Colonnades
Beaconsfield Close
Hatfield
Hertfordshire
AL10 8YD

AUDITORS

PricewaterhouseCoopers
Benson House
33 Wellington Street
Leeds
LS1 4JP

BANKERS

Barclays Bank plc
Lombard Street
London
EC3P 3AH

FMS SUPPLIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their report and the audited financial statements of the company for the year ended 31 December 1999. The company was incorporated and commenced trading on 11 August 1997. The information provided for the period ended 31 December 1998 therefore relates to the period from incorporation to the financial year end.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continued to be that of suppliers of pharmaceutical products. On 24 August 1999 Nestor Healthcare Group plc, acquired 100% of the issued share capital of the company.

RESULTS AND DIVIDENDS

The company's profit for the financial year is £279,747 (1998: £161,963). Dividends of £257,534 (1998: £168,686) were paid during the year and the retained profit for the year of £22,213 (1998: £6,723 loss) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors of the company who held office during the year and their interests in the shares of the company were as stated below:

		Ordinary shares of £1 each	
		31 December 1999	31 December 1998
JAS Jewitt	(appointed 24 August 1999)	-	-
DO Lyon	(appointed 24 August 1999)	-	-
M Stokes	(appointed 24 August 1999)	-	-
R Parkinson	(appointed 24 August 1999 and resigned 6 July 2000)	-	-
I Fraser	(resigned 24 August 1999)	-	60
S Goddard	(resigned 24 August 1999)	-	40

The interests of JAS Jewitt and DO Lyon in the shares capital of Nestor Healthcare Group plc are disclosed in the Report and Accounts of that company.

The interests of M Stokes and R Parkinson in the share capital of Nestor Healthcare Group plc are as follows:

	Ordinary Shares		SAYE Scheme		Company share option Plan 1996		Employee share option Scheme 1996	
	31 December 1999	1 January 1999	31 December 1999	1 January 1999	31 December 1999	1 January 1999	31 December 1999	1 January 1999
M Stokes	-	-	4,552	4,552*	26,000	26,000*	30,655	30,655*
R Parkinson	-	-	-	-	5,029	5,029*	9,053	9,053*

* at date of appointment

FMS SUPPLIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

YEAR 2000

The passing of the Millennium was without any disruption to the business and operations of the company. This reflects the extensive preparations made. Contingency plans remain in place to deal with any unexpected disruption. Whilst the company incurred expenditure both of revenue and capital nature in upgrading some of its systems during the year, it is not possible to distinguish the proportion required solely for the purpose of making its systems millennium compliant.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

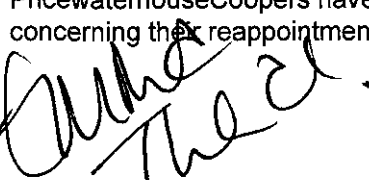
Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

During the year, Barrowcliffs resigned as auditors and PricewaterhouseCoopers were appointed. PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General meeting.


CER Thomas
Secretary

16/10/00

AUDITORS' REPORT TO THE MEMBERS OF FMS SUPPLIES LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

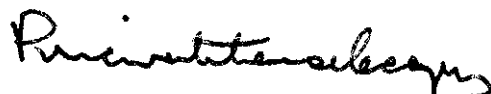
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants
and Registered Auditors

16 October 2000

FMS SUPPLIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Notes</u>	Year ended 31 December 1999 £	Period ended 31 December 1998 £
TURNOVER	1	943,643	923,440
Cost of sales		<u>(326,983)</u>	<u>(447,771)</u>
GROSS PROFIT		616,660	475,669
Administrative expenses		<u>(209,922)</u>	<u>(269,866)</u>
OPERATING PROFIT	3	406,738	205,803
Interest payable	6	(7,431)	(873)
Interest receivable	6	<u>1,744</u>	<u>1,959</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		401,051	206,889
Taxation	7	<u>(121,304)</u>	<u>(44,926)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		279,747	161,963
Dividends	8	<u>(257,534)</u>	<u>(168,686)</u>
RETAINED PROFIT/(DEFICIT) FOR THE YEAR/PERIOD	15	<u>22,213</u>	<u>(6,723)</u>

All of the results derive from continuing operations.

The company has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit/(deficit) for the year stated above and their historical cost equivalents.

FMS SUPPLIES LIMITED

BALANCE SHEET - 31 DECEMBER 1999

	<u>Notes</u>	£	<u>1999</u> £	£	<u>1998</u> £
FIXED ASSETS					
Tangible assets	9		11,588		9,432
CURRENT ASSETS					
Stocks	10	42,516		25,350	
Debtors	11	257,770		114,241	
Cash at bank and in hand		<u>153,853</u>		<u>71,719</u>	
		454,139		211,310	
CREDITORS (amounts falling due within one year)	12	<u>(450,137)</u>		<u>(227,365)</u>	
NET CURRENT LIABILITIES			<u>4,002</u>		<u>(16,055)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>15,590</u>		<u>(6,623)</u>
NET ASSETS/ (LIABILITIES)			<u>15,590</u>		<u>(6,623)</u>
CAPITAL AND RESERVES					
Called up equity share capital	14		100		100
Profit and loss account	15		<u>15,490</u>		<u>(6,723)</u>
TOTAL SHAREHOLDERS' FUNDS/(DEFICIT)	16		<u>15,590</u>		<u>(6,623)</u>

The financial statements on pages 6 to 13 were approved by the board of directors on 16 October 2000 and were signed on its behalf by:



D O Lyon
Director

FMS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999

1 ACCOUNTING POLICIES

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

The principal accounting policies, which have been applied consistently, are set out below:

(a) **Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

(b) **Depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Plant and machinery	20% reducing value
Fixtures, fittings and equipment	33% reducing value
Motor vehicles	25% reducing value

(c) **Stocks**

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

(d) **Finance**

Leasing arrangements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over their expected useful lives which fall into the range specified above.

(e) **Pension costs**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

2 CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Nestor Healthcare Group plc and is included in the consolidated financial statements of Nestor Healthcare Group plc, which are publicly available from the address given in note 18. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Nestor Healthcare Group plc group.

FMS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

3 OPERATING PROFIT

	<u>1999</u> £	<u>1998</u> £
Operating profit is stated after charging:		
Depreciation of tangible assets		
- owned assets	3,772	1,557
- leased assets	13,429	-
Auditors' remuneration		
- Audit services	2,772	3,200
- Non-audit services	-	5,125
Loss on disposal of fixed assets	20,000	-
	<hr/>	<hr/>

4 DIRECTORS' EMOLUMENTS

	<u>1999</u> £	<u>1998</u> £
Aggregate emoluments	8,628	150,000
	<hr/>	<hr/>

No pension contributions were paid on behalf of the directors.

5 EMPLOYEES

	<u>1999</u> Number	<u>1998</u> Number
The average number of persons employed by the company, including executive directors, was:	6	7
	<hr/>	<hr/>
The costs incurred in respect of these employees were:		
	<u>1999</u> £	<u>1998</u> £
Wages and salaries	88,577	234,252
Social security costs	6,179	23,041
Other pension costs	3,645	1,822
	<hr/>	<hr/>
	98,401	259,115
	<hr/>	<hr/>

FMS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

6 INTEREST

	1999 £	1998 £
Receivable on bank deposits	1,744	1,959
Payable on finance leases and hire purchase agreements	(7,431)	(873)
	<u>(5,687)</u>	<u>1,086</u>

7 TAXATION

	1999 £	1998 £
UK corporation tax at 30.25% (1998: 21%)	121,304	44,926
	<u>121,304</u>	<u>44,926</u>

8 DIVIDENDS

	1999 £	1998 £
Ordinary interim paid of £1,883 per share (1998: £1,686.86)	188,300	168,686
Ordinary proposed of £692.34 per share (1998: £nil)	69,234	-
	<u>257,534</u>	<u>168,686</u>

FMS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

9 TANGIBLE FIXED ASSETS

	Motor vehicles £	Office equipment £	Total £
<u>Cost</u>			
At 1 January 1999	-	10,989	10,989
Additions	107,429	5,928	113,357
Disposals	<u>(107,429)</u>	<u>-</u>	<u>(107,429)</u>
At 31 December 1999	-	16,917	16,917
<u>Accumulated depreciation</u>			
At 1 January 1999	-	1,557	1,557
Charge for the year	13,429	3,772	17,201
Disposals	<u>(13,429)</u>	<u>-</u>	<u>(13,429)</u>
At 31 December 1999	-	5,329	5,329
<u>Net book amount</u>			
At 31 December 1999	-	11,588	11,588
At 31 December 1998	-	9,432	9,432

10 STOCKS

	1999 £	1998 £
Goods held for resale	42,516	25,350

11 DEBTORS

	1999 £	1998 £
Trade debtors	75,368	37,069
Other debtors	74,034	77,172
Prepayments and accrued income	11,415	-
Inter-company – due from fellow subsidiary undertaking	96,953	-
	<u>257,770</u>	<u>114,241</u>

FMS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

12 CREDITORS: Amounts falling due within one year

	<u>1999</u> £	<u>1998</u> £
Trade creditors	49,322	30,386
Bank loans and overdrafts	-	27,113
Taxation and social security	149,658	84,121
Other creditors	95,076	85,745
Inter-company: due to ultimate parent undertaking	<u>156,081</u>	<u>-</u>
	<u>450,137</u>	<u>227,365</u>

13 PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £3,645 (1998: £1,822).

14 SHARE CAPITAL

	<u>1999</u> £	<u>1998</u> £
<u>Authorised</u>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<u>Allotted, called up and fully paid</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

FMS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1999 (CONTINUED)

15 STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	<u>1999</u> £	<u>1998</u> £
Balance at start of year/period	(6,723)	-
Retained profit/(deficit) for the year/period	<u>22,213</u>	<u>(6,723)</u>
Balance at end of year/period	<u>15,490</u>	<u>(6,723)</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> £	<u>1998</u> £
Profit/(loss) for the year	22,213	(6,723)
Net proceeds of issue of ordinary share capital	-	98
Shareholders' funds at start of the year/period	<u>(6,623)</u>	<u>2</u>
Shareholders' funds at the end of the year/period	<u>15,590</u>	<u>(6,623)</u>

17 RELATED PARTY TRANSACTIONS

Other debtors include an amount of £30,946 due from Docs Limited, a company of which I Fraser and S Goddard are both directors.

18 ULTIMATE PARENT UNDERTAKING

On 24 August 1999, the entire share capital of the company was acquired by Nestor Healthcare Group Plc. At 31 December 1999 the ultimate parent undertaking and ultimate controlling party is Nestor Healthcare Group Plc. The company is included in the consolidated accounts of Nestor Healthcare Group Plc which are publicly available.

Nestor Healthcare Group Plc
The Colonnades
Beaconsfield Close
Hatfield
Hertfordshire
AL10 8YD