

SEPARATOR SHEET

2463465



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MATRIX HEALTHCARE PLC



2463465

If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

A copy of this document, which has been drawn up in accordance with the Public Offers of Securities Regulations 1995 and the AIM rules (as defined on page 3 of this document), has been delivered to the Registrar of Companies in England and Wales. ✓

Application will be made for the whole of the issued share capital of Matrix Healthcare plc ("the Company") to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). It is emphasised that no application is being made for admission of these securities to the Official List. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document.

This document does not constitute an offer or invitation to subscribe for or to purchase any securities in Matrix Healthcare plc. No new shares have been or are proposed to be issued to the public in connection with the Company's application for admission to AIM.

MATRIX HEALTHCARE plc ✓

Incorporated in England under the Companies Act 1985 with registered number 2463465 ✓

ADMISSION TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET OF THE WHOLE OF THE ISSUED SHARE CAPITAL

Nominated adviser and nominated broker to the Company

PEEL, HUNT & COMPANY LIMITED

SHARE CAPITAL			
Authorised		Issued and fully paid	
Amount	Number	Amount	Number
£2,500,000	5,000,000	£1,141,711	2,283,422
		ordinary shares of 50 pence each	

Peel, Hunt & Company Limited ("Peel Hunt") has been appointed as nominated adviser to the Company. In accordance with the AIM rules, Peel Hunt will confirm to the London Stock Exchange that it has satisfied itself that the Directors of the Company have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM rules and that, to the best of its knowledge and belief, all relevant requirements of the AIM rules have been complied with. Peel Hunt has also satisfied itself that the contents of this document have been appropriately verified by the Directors. In giving its confirmation to the London Stock Exchange, Peel Hunt has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself. No liability whatsoever is accepted by Peel Hunt for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Directors are solely responsible.

Peel Hunt is acting for the Company in connection with the Admission (as defined on page 3) and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Peel Hunt or for providing advice in relation to the Admission.

The Directors of Matrix Healthcare plc, whose names appear on page 4 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and this document does not omit anything likely to affect the import of such information.

Your attention is drawn to the Offer Prospectus set out in Annexure I, the contents of which are deemed to be incorporated in and form part of this document unless varied by the contents of Parts I and II of this document.

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DEFINITIONS

The following definitions apply throughout Parts I and II of this document unless the context otherwise requires:

Act	the Companies Act 1985, as amended
Admission	the effective admission to trading of the whole of the issued ordinary share capital of the Company on AIM
AIM	the Alternative Investment Market of the London Stock Exchange
AIM rules	the rules set out in chapter 16 of the Rules of the London Stock Exchange
Barleyglow	Barleyglow Limited, one of the Company's two wholly owned subsidiaries
Directors or Board	the directors of the Company, whose names appear on page 4 of this document.
Group	the Company and its subsidiaries
London Stock Exchange	London Stock Exchange Limited
Matrix Healthcare or Company	Matrix Healthcare plc
the Knoll	The Knoll Nursing Home Limited (formerly Best Nursing Homes Limited), one of the Company's two wholly owned subsidiaries
Official List	the Official List of the London Stock Exchange
Ordinary Shares	ordinary shares of 50 pence each in the capital of the Company
Offer Prospectus	the prospectus dated 23 February 1996 containing an offer for subscription reproduced in full in Annexure 1 to this document

DIRECTORS, SECRETARY AND ADVISERS

Directors	Vincent Henry Peter Dewe-Mathews Roy Baguley Rupert Charles Gifford Lywood	Executive Chairman Non-Executive Non-Executive
	<i>all of</i>	
Registered office	Gossard House 7-8 Savile Row London W1X 1AF	
Secretary	Suzannah Bell	
Nominated broker and adviser	Peel, Hunt & Company Limited 62 Threadneedle Street London EC2R 8HP	
	and	
	Carlton Tower 34 St Paul's Street Leeds LS1 2QB	
	Regulated by The Securities and Futures Authority Limited and a member of the London Stock Exchange	
Auditors and reporting accountants	Binder Hamlyn St Paul's House Park Square Leeds LS1 2PJ	
Solicitors to the Company	Shoosmiths & Harrison The Lakes Northampton NN4 7SH	

EXPECTED TIMETABLE

Application to the London Stock Exchange	14 June 1996
Admission effective and trading commences	19 June 1996

PART I: BACKGROUND TO THE COMPANY

1. Introduction

Matrix Healthcare plc is a holding company which has two wholly owned subsidiaries, Barleyglow, which owns and operates the Nightingale Nursing Home in Manningham, Bradford, and the Knoll, which owns and operates the Knoll Nursing Home in Greengates, Bradford.

2. Significant recent developments

On 22 February 1996 the Company acquired the remaining 80 per cent. of Best Nursing Homes Limited (now The Knoll Nursing Home Limited) from BESt Investment Leisure Plc for 310,000 new Ordinary Shares and a cash payment of £126,300. The Company had until that time owned 20 per cent. of the Knoll through Barleyglow as part of an agreement under which Barleyglow managed the Knoll Nursing Home.

On 23 February 1996 the Company issued the Offer Prospectus, whose purpose was to invite subscriptions for up to 2 million Ordinary Shares at £1.25 per share, to raise up to £2.3 million (net of costs and commissions). The Offer Prospectus¹⁰ set out in Annexure I and any differences which have arisen since the date of its publication are referred to in paragraph 11 (d)(iii) of Part II. Under the Offer Prospectus up to 800,000 Ordinary Shares were offered under the terms of the Enterprise Investment Scheme, which were subscribed in full. Up to 1.2 million Ordinary Shares were offered with the potential for reinvestment relief, of which 431,920 were subscribed. Following an extension of the offer period to 25 May 1996, the Company raised a total of £1.39 million (net of costs and commissions) to fund its future acquisition strategy.

3. Current trading and prospects

Since the end of the Company's last completed financial year, the Group has continued to trade satisfactorily, with no exceptional features influencing activities; occupancy rates have averaged in excess of 92 per cent. The Directors consider that the prospects for the Company for the current financial year remain good.

Both of the Group's nursing homes lie within the boundary of one local authority and as such are predominantly dependent on one main buyer, given the low percentage of private self-paying residents. Any shortfalls in local authority funding would thus be likely to affect adversely both the Knoll and Barleyglow.

PART II: ADDITIONAL INFORMATION

1. Incorporation and objects

- (a) The Company was incorporated in England and Wales (and registered in Cardiff) on 26 January 1990 under the number 2463465 as a public company with limited liability under the Companies Act 1985 with the name Matrix Health 2 PLC. On 22 February 1996 the Company changed its name to Matrix Healthcare plc.
- (b) The principal objects of the Company contained in its Memorandum of Association are, inter alia, to own, operate, manage, maintain, furnish and fit up with all necessary equipment, hospitals or nursing homes with all suitable accommodation for the treatment and care of patients.

2. Share capital

- (a) Details of the authorised and issued share capital history are set out in paragraphs 1.2 to 1.4 of Appendix II to the Offer Prospectus.
- (b) The authorised and issued and fully paid share capital of the Company at the date of this document was as follows:

Authorised			Issued and fully paid	
Amount	Number		Amount	Number
£2,500,000	5,000,000	Ordinary Shares of 50 pence each	£1,141,711	2,283,422

- (c) Under new Articles of Association adopted by the Company on 22 February 1996 the Directors are authorised to allot securities up to certain limits in accordance with the Act. Details of these authorities and their durations are set out in paragraphs 1.6 and 1.7 of Appendix II to the Offer Prospectus.
- (d) No shares in the Company are being issued or offered to the public in connection with the Company's application for Admission.
- (e) Matrix-Securities Limited has an option to subscribe for Ordinary Shares under the terms of an option agreement dated 23 February 1996, details of which are set out in paragraph 13.3 of Appendix II to the Offer Prospectus.
- (f) Save as disclosed in this paragraph 1 and in paragraph 7 below, no share or loan capital of the Company has been issued or is now proposed to be issued fully or partly paid either for cash or for a consideration other than cash nor have any commissions, discounts, brokerages or other special terms been granted by the Company in connection with the issue or sale of its share or loan capital, nor is any share or loan capital of the Company under option.

3. Share rights

The Articles of Association of the Company, a summary of which is set out in paragraph 7 of Appendix II to the Offer Prospectus, set out the rights attaching to the Ordinary Shares. The table below cross-refers the appropriate part of paragraph 7 of Appendix II to the Offer Prospectus to each of the principal rights attaching to the Ordinary Shares.

<i>Offer Prospectus, Appendix II, Paragraph 7 reference:</i>	<i>Rights in respect of:</i>
7.1	Voting
7.7	Dividends
7.7	Return of capital on winding up
7.3	Variation of rights
7.4	Transfer

The Ordinary Shares are not redeemable.

4. Financial information

- (a) Separate accountants' reports on the Company and Best Nursing Homes Limited (a wholly owned subsidiary of the Company since 22 February 1996, now named The Knoll Nursing Home Limited) are contained in Appendix I to the Offer Prospectus.
- (b) No interim accounts have been published by the Company since the end of its last financial year, save for those referred to in paragraph (c) below.
- (c) Unaudited accounts for the period from 1 October 1995 to 21 February 1996 were delivered to the Registrar of Companies on 22 February 1996 pursuant to section 272 of the Act, for the purposes of declaring an interim dividend of 3.75p per Ordinary Share paid to shareholders on the register at the opening of business on 22 February 1996, in respect of the period covered by those accounts. These accounts, for which the Directors take full responsibility, are reproduced in full in Annexure II to this document.

5. Group structure

The Company is the holding company of a group of companies, and has the following wholly owned subsidiaries, both of which are incorporated in England and Wales:

<i>Name of Company</i>	<i>Principal Place of Business</i>
Barleyglow Limited	Nightingale Nursing Home St. Mary's Road Manningham Bradford
The Knoll Nursing Home Limited	Knoll Nursing Home Leeds Road Greengates Bradford

6. Working capital

The Company is of the opinion, having made due and careful enquiry, that the working capital available to the Company and the Group are sufficient for their present requirements.

7. Directors

- (a) Other than a directorship of the Company, the Directors hold or have held the following directorships over the past five years:

Vincent Henry Peter Dewe-Mathews (Aged 51)

Current: Barleyglow Limited; The Knoll Nursing Home Limited; Matrix Aegis (ANS I) Plc; Matrix Aegis (ANS II) Plc; The Permanent Health Company Limited; West Coast Homes (Ayrshire) Limited; Lifeways Community Care Limited; Matrix Health 1 Plc.

Previous: Brightwalton Homes Plc; Celsus Pliny Limited; Lifetime Health Care Limited; Lifetime Limited; MFPS Limited; Medic International Limited;

Roy Baguley (Aged 67)

Current: Barleyglow Limited; The Knoll Nursing Home Limited; U.K. Scanner Company Limited.

Previous: None.

Rupert Charles Gifford Lywood (Aged 38)

Current: Matrix-Data Limited; Matrix-Securities Limited; Matrix Aegis plc; Matrix Health 1 Plc; Matrix-Securities (Nominees) Limited; Matrix Energy Limited; Matrix Aegis (ANS I) Plc; Barleyglow Limited; Matrix Films & Television Plc; The Knoll Nursing Home Limited; Unisoft Solutions Group Limited; The Syringe Company Limited; Matrix Cashbacked I Limited.

Previous: Matrix Aegis (ANS II) Plc; Matrix Aegis (Coventry I) Plc; Matrix Aegis (Coventry II) Plc; Matrix Middlesex I Plc; Matrix Middlesex II Plc; Matrix Aegis (Leicester) Plc; Matrix Surrey I Plc; Housing for North Cheshire Plc; Housing for South Wight Plc; Housing for Isle of Wight Plc; Housing for Portico I Plc; Housing for Portico II Plc; Matrix Aegis (Nene I) Plc; Matrix Aegis (Nene II) Plc; ECHG (Harrow) Homes Plc; ECHG (Kensington and Chelsea) Homes Plc; Moulton Park Properties I Plc; Moulton Park Properties II Plc; Moulton Park Properties III Plc; Moulton Park Properties IV Plc; Cashlink Limited; Shaftesbury (Arun) Housing Plc; Shaftesbury (Eastbourne) Housing Plc; SHA (Contractors) I Plc; SHA (Contractors) II Plc; SHA (Contractors) III Plc; SHA (Contractors) IV Plc; SHA (Contractors) V Plc; Pilgrim Contractors Plc; Colvic Craft plc; Hoskins Inn plc; Matrix Surrey II Plc; Shaftesbury (Merton) Housing plc; Matrix at Nottingham I plc; Matrix at Nottingham II plc; Matrix at Nottingham III plc; Matrix at Nottingham IV plc.

- (b) No Director has any unspent convictions, nor has any public criticism against any Director been made by any statutory or regulatory authority nor has any Director ever been declared bankrupt.
- (c) The Directors have been or are directors of the following companies either at the time of those companies' insolvency, receivership or liquidation or within twelve months preceeding such event:

<i>Director</i>	<i>Company details</i>
Peter Dewe-Mathews	Nestaberry Ltd; Brightwalton Homes Plc; Celsus Pliny Limited; Matrix Health 1 Plc; All members voluntary liquidations.
Roy Baguley	U.K. Scanner Company Limited: Non-executive director. Company placed in joint administrative receivership in September 1992.
Rupert Lywood	Matrix Health 1 Plc; Members voluntary liquidation.

- (d) Details of Mr. Dewe-Mathews' service contract are set out in paragraphs 5.2 and 5.4 of Appendix II to the Offer Prospectus. There are no service contracts existing or proposed between any Director and the Company or any subsidiary of the Company which will not expire or are not terminable by the employing Company without payment of compensation within one year.
- (e) Details of the aggregate remuneration paid and benefits in kind granted to the Directors of the Company during its last completed financial year, and an estimate of the aggregate amounts payable and benefits in kind to be granted to the Directors for the current financial year under arrangements still in force at the date of this document are set out in paragraph 5.9 of Appendix II to the Offer Prospectus.
- (f) The Directors' interests in the Ordinary Shares are as follows:

	<i>Number of Ordinary Shares</i>	
	<i>Beneficial</i>	<i>Non-beneficial</i>
Peter Dewe-Mathews	80,000	10,000
Roy Baguley	5,000	Nil
Rupert Lywood	1	Nil

- (g) Peter Dewe-Mathews has an option to subscribe Ordinary Shares under the terms of his service contract, details of which are set out in paragraph 5.2 of Appendix II to the Offer Prospectus.
- (h) Rupert Lywood is a director of Matrix-Securities Limited which has entered into a sponsorship agreement with, inter alios, the Company and which has an option to subscribe Ordinary Shares. Details of these agreements are set out in paragraphs 13.1 and 13.3 of Appendix II to Annexure I of this document.

8. Consents

- (a) Binder Hamlyn have given and not withdrawn their written consent to the inclusion in this document of their reports contained in Appendix I to the Offer Prospectus, and of the references to those reports and to them in the form and context in which they appear.
- (b) Coopers & Lybrand, Weatherall Green & Smith, and Matrix-Securities Limited have given and not withdrawn their written consents to the issue of this document with the references to them in the form and context in which they appear (including the Offer Prospectus contained in Annexure I).
- (c) Peel Hunt have given and not withdrawn their written consent to the issue of this document with the inclusion of their name and of the references to them in the form and context in which they appear.

9. Substantial shareholders and control

- (a) Save as set out on page 6 of the Offer Prospectus and in paragraph (b) below, the Directors are not aware of any person who is entitled to exercise or to control the exercise of 10 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the Company and/or either of its subsidiary undertakings, or who has been so entitled in the twelve months preceeding the date of this document, or of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- (b) The following are the names of all substantial shareholders of the Company and details of their respective shareholdings as at 10 June, 1996.

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
BEST Investment Leisure plc	310,000	13.6%

10. Corporate governance

The Directors acknowledge the importance of the guidelines set out in the Code of Best Practice published by the Committee on Financial Aspects of Corporate Governance (usually referred to as the Cadbury Code) and in the Code of Best Practice on Directors' Remuneration published by the Study Group on Directors' Remuneration chaired by Sir Richard Greenbury and intend to apply them as appropriate to a company of the size and nature of Matrix Healthcare plc.

It is the current intention of the Board to appoint one more non-executive Director. Following this appointment the Board will establish both an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. Both the Audit Committee and the Remuneration Committee will comprise two of the three non-executive Directors.

11. General

(a) Taxation of dividends

Details regarding tax on income from the Ordinary Shares withheld at source, and tax credits, can be found in paragraph 16 of Appendix II to the Offer Prospectus.

(b) Litigation

There are no litigation or arbitration proceedings active, pending or threatened against, or being brought by any member of the Group which are having or may have a significant effect on the Company's financial position.

(c) Material contracts

Save as set out in paragraph 13 of Appendix II to the Offer Prospectus, no member of the Group has entered into any contracts other than in the ordinary course of business, which are or may be material, within the two years immediately preceeding the date of this document.

(d) Prospectus, circular and equivalent offering documents

- (i) No prospectus, equivalent document or circular has been published by the Company since the end of its last financial year to 30 September 1995 (in respect of which audited financial statements have been published) other than the Offer Prospectus.
- (ii) Save as mentioned in this document, there has been no significant change affecting any matter contained in the Offer Prospectus, no significant new matter has arisen, the inclusion of information in respect of which would have been required if it had arisen when the Offer Prospectus was prepared and there is no inaccuracy in the Offer Prospectus. The Directors confirm that, save as mentioned in Parts I and II of this document, the opinions, intentions and expectations attributed to them in the Offer Prospectus are still held by them.
- (iii) The Directors have reason to believe that the estimate of nursing home beds which will be required by the millenium referred to in the second paragraph on page 6 of the Offer Prospectus has been materially reduced but the Directors do not believe that this is significant in relation to the offer contained in the Offer Prospectus, the Admission or the prospects of the Group.

(e) Costs of Admission

The total costs, charges and expenses in connection with the Admission will be approximately £40,000, and are payable by the Company.

12. Indebtedness

- (a) As at 31 May 1996 the Company and its subsidiaries had aggregate borrowings of £1,061,050 from Barclays Bank plc, secured by fixed and floating charges over the undertaking, property and assets of each of the Company and its subsidiaries. On the same date the Company and its subsidiaries had cash balances of £1,303,462.
- (b) Save as disclosed in paragraph (a), and apart from intra-group loans, as at 31 May 1996 no company in the Group had any loan capital (including term loans) outstanding or created but unissued, any mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, any liabilities and acceptances or acceptance credit or hire purchase commitments, guarantees or other material contingent liabilities.

13. Availability of this document to the public

Copies of this document will be available to the public (free of charge) at the registered office of the Company at Gossard House, 7-8 Savile Row, London, W1X 1AF during normal business hours on any day (Saturdays, Sundays, and public holidays excepted) until 14 days have elapsed from the date of Admission.

Dated 13 June 1996 ✓

ANNEXURE I

Prospectus dated 23 February 1996

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT ABOUT ITS CONTENTS OR THE ACTION TO BE TAKEN YOU SHOULD CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES ACT 1986 WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES

There is at present no listing or quotation on any stock exchange or other market for the ordinary share capital of the Company. The Directors intend (as referred to on page 8) to apply for the share capital of the Company to be admitted to the Alternative Investment Market of the London Stock Exchange.

A copy of this Prospectus has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of The Public Offers of Securities Regulations 1995 ("the POS Regulations"). This Prospectus has been drawn up in accordance with the POS Regulations.

Persons receiving this document should note that, in connection with the Offer, Matrix-Securities Limited is acting for Matrix Healthcare plc and no-one else and will not be responsible to anyone other than Matrix Healthcare plc for providing the protections afforded to customers of Matrix-Securities Limited nor for providing advice in relation to the Offer.

MATRIX HEALTHCARE plc

(incorporated in England under the Companies Act 1985 No 2463465)

OFFER FOR SUBSCRIPTION

of up to 800,000 ordinary shares of 50p each at £1.25 per Share under the Enterprise Investment Scheme and of up to a further 1,200,000 ordinary shares of 50p each at £1.25 per Share, all subscriptions payable in full on application

The Offer will close as soon as the maximum number of shares under the Offer have been applied for and in any event not later than 3.00 pm on 29th March 1996 unless extended by the Directors. The procedure for application is set out on page 34 and there is an Application Form on page 35.

Matrix-Securities Limited will pay to stockbrokers, banks in the United Kingdom and other intermediaries who are authorised pursuant to the Financial Services Act 1986 and who are accepted for this purpose by Matrix-Securities Limited, commission in respect of accepted applications bearing their stamp.

Summary of the Main Tax Benefits

In order to give potential Investors greater tax planning flexibility in relation to their investment 800,000 Shares under the Offer will have EIS tax relief attaching to them and 1,200,000 Shares are offered with the benefit of Reinvestment relief. **Potential Investors should note that this information is only a summary and that advice should be obtained from his or her own investment or taxation adviser before applying for Shares.**

EIS Relief - attaching to EIS Shares

1) **Income Tax Relief**

This allows a qualifying investor to reduce the amount of his or her liability to income tax in the current tax year (1995/96). Relief is available at 20% and is restricted to an annual investment limit of £100,000 for individuals claiming EIS relief. Investors must hold their shares for not less than five years, in order to avoid a withdrawal of this relief.

2) **Capital Gains Tax Exemption**

Gains arising from the first disposal of shares will be exempt from any liability to capital gains tax, provided that such a disposal takes place at least five years after the issue of such shares and EIS tax relief has not previously been withdrawn.

3) **Loss Relief**

An investor who suffers a loss arising from the disposal of his shares after five or more years is able to offset such a loss against capital gains or taxable income in the year of the loss or the preceding year at his highest marginal rate of tax.

4) **Capital Gains Tax Liability Deferral**

In conjunction with the income tax relief described above, investors with gains arising from the disposal of any assets may defer a chargeable gain on the assets by investing an amount equivalent to that gain in the shares of an EIS qualifying company. Gains (or any part of any gains) arising from the disposal of an asset on or after 29th November 1994 or gains arising one year after the issue of shares may be deferred.

Timing of EIS Tax Certificates

As stated on page 10, provisional EIS clearance has been obtained from the Inland Revenue in respect of this Offer. As the Company is already trading, EIS 3 Certificates, which Investors need to claim their EIS tax relief, should be available approximately one month following the close of the Offer.

Reinvestment Relief - attaching to Non-EIS Shares

Investors with gains arising from the disposal of any assets may defer a chargeable gain on the assets by investing an amount equivalent to that gain in the shares of a qualifying unquoted trading company. For this purpose, an EIS company is a qualifying company and a quotation on the London Stock Exchange's Alternative Investment Market will not affect investors' ability to claim Reinvestment relief. Gains (or any part of any gain) arising from the disposal of an asset on or after 30th November 1993 or gains arising one year after the issue of shares may be deferred. Investors' claiming Reinvestment relief are not subject to an investment limit.

Inheritance Tax Relief - expected to attach to EIS and Non-EIS Shares

Provisions introduced in the current Finance Bill and expected to be enacted in the Finance Act, will extend 100 per cent business property relief to all holdings of shares in qualifying unquoted companies. Such relief will be available from 6th April 1996 and will apply to shares which have been held for at least two years. A quotation on the Alternative Investment Market will not prejudice this relief.

THE INFORMATION BELOW SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS DOCUMENT FROM WHICH IT IS DERIVED, INCLUDING THE DEFINITIONS ON PAGE 4

Key Points

- The Offer seeks to raise up to £2,500,000 at an Offer price of £1.25 per share for an established and profitable nursing home trading company
- The Company has maintained a consistent dividend record since 1992
- Demand for nursing home beds is forecast to increase on the basis of demographic and industry trends
- The Directors plan to use the proceeds of the Offer to acquire further traditional-type nursing homes, typically of 40 beds or more with a solid trading record
- The Directors intend to seek a quotation for the Company's shares on the London Stock Exchange's Alternative Investment Market (AIM) by June 1996
- The Executive Chairman invested £100,000 in the Company at the Offer price immediately prior to the Offer.
- The initial closing date will be 29th March 1996, unless extended by the Directors. The minimum investment is £2,000
- The Shares being offered represent 65% of the enlarged share capital of the Company
- Enquiries can be made and further copies of the Prospectus can be obtained by calling **Donald Mackinnon or Andrew Irwin at Matrix-Securities on 0171-734 8334**

Tax Relief Options

- £1m is offered with the benefit of EIS tax reliefs (**EIS Shares**)
- A further £1.5m is offered with the benefit of Reinvestment relief (**Non-EIS Shares**).
- The Offer will allow Investors to elect to claim some or all of their EIS relief and/or Reinvestment relief in either or both of the tax years 1995/96 and 1996/97. See Procedure for Application on page 34 and the Application form on page 35 for details.
- Potential Investors can subscribe for either EIS or Non-EIS Shares or a combination of the two. This arrangement offers maximum flexibility, since Reinvestment relief is not subject to an annual investment limit, whereas an individual can invest only up to £100,000 per annum in EIS qualifying shares.

Financial Information

Year ended 30th September 1995 (Note 1)

Based on £1 per share (see Note 2)	Without tax relief	Proforma figures recalculated with relevant tax reliefs		
		With 20% EIS relief	With 60% EIS relief	With 40% Reinvestment relief
Dividend Yield (Net)	7.5%	9.4%	18.8%	12.5%
Price Earnings Ratio	6.8	5.4	2.7	4.1

Earnings per share	14.7p
Net assets per share	£1.17

- Notes
1. These figures are based on the audited results of the Company for the year ended 30th September 1995 and have not been adjusted to take account of the acquisition of Best Nursing Homes Limited.
 2. The dividends yield and price earnings ratios are calculated using the gross price per share (£1.00) at which shares were issued pursuant to the offer made under the BES in September 1990.

Definitions

AIM	the Alternative Investment Market regulated by the London Stock Exchange
Act	the Companies Act 1985 (as amended)
Barleyglow	Barleyglow Limited, one of the Company's two wholly owned subsidiaries
BES	Business Expansion Scheme established by the Finance Act 1983 (as amended)
BIL	Best Investment Leisure Plc
BNH	Best Nursing Homes Limited, one of the Company's two wholly owned subsidiaries
The Community Care Act	National Health Service and Community Care Act 1990
Company or Matrix Healthcare	Matrix Healthcare plc
Directors or Board	the directors of the Company listed on page 9 of this document
EIS	the Enterprise Investment Scheme introduced by the Finance Act 1994 as amended by the Finance Act 1995
EIS Shares	the Shares to be offered by the Company pursuant to this Prospectus under the EIS
Group	the Company and its subsidiaries
Investor	an individual who subscribes Shares pursuant to this Offer
Knoll	Knoll Nursing Home, Greengates, Bradford
London Stock Exchange	London Stock Exchange Limited
Matrix-Securities	Matrix-Securities Limited
Nightingale	Nightingale Nursing Home, St Mary's Road, Manningham, Bradford
Non-EIS Shares	the Shares to be offered by the Company pursuant to the Prospectus otherwise than under the EIS
Offer or Issue	the offer for subscription of up to 800,000 EIS Shares and 1,200,000 Non-EIS Shares contained in this Prospectus
Prospectus	this document which describes the Offer
Shares	ordinary shares of 50p each in the capital of the Company
VCT	Venture Capital Trust

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Directors and Advisers

Directors:	Vincent Henry Peter Dewe-Mathews Roy Baguley Rupert Charles Gifford Lywood all of Gossard House, 7-8 Savile Row, London W1X 1A
Sponsor:	Matrix-Securities Limited Gossard House 7-8 Savile Row London W1X 1AF
Solicitors to the Offer:	Shoosmiths & Harrison Victoria House 3 Victoria Street Northampton NN1 3NR
Auditors and Reporting Accountants:	Binder Hamlyn St Paul's House Park Square Leeds LS1 2PJ
EIS Tax Advisers:	Coopers & Lybrand 1 Embankment Place London WC2N 6NN
Bankers:	Barclays Bank Plc 10 Market Street Bradford BD1 1NR
Registrars:	Matrix-Data Limited Gossard House 7-8 Savile Row London W1X 1AF

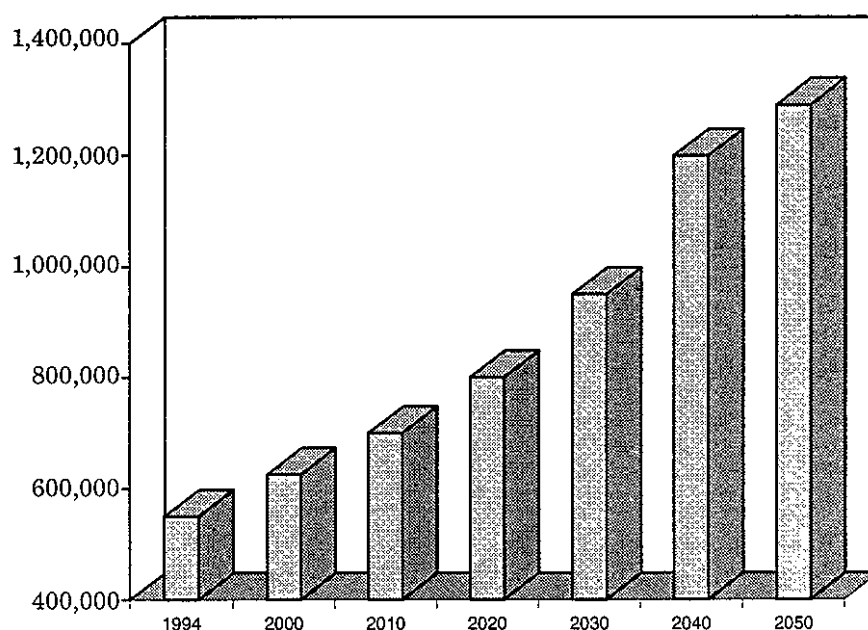
The Market

The 1991 Census for the UK shows that in the decade to 1991 demographic changes in the UK have resulted in a 59% growth in the population of people over 85 years old to 897,000. It is estimated that this number will increase to 1,235,000 by the year 2001. Frailty and dependence escalate with age. Currently 5.7% of those aged 75-84 are resident in long term care facilities and this increases to some 26% of those aged 85 and over.

The public sector is no longer expanding its long term care facilities and in fact has reduced the number of beds provided by the NHS and Local Authorities over the six years to 1994 by over a third to 142,900. Private providers have increased their capacity over this same period and it is estimated by Laing & Buisson, the leading researcher in this sector, that a further 72,000 nursing home beds will be required by the millenium.

The above changes have resulted in the state increasingly 'contracting out' long term care to private providers and the Directors believe that the continued growth in the market will only be constrained by the capacity of the public purse to fund such provision.

Projected numbers of places for nursing and residential care of elderly, chronically ill and physically disabled people, UK 1994 - 2050



Source: extracted from Laing & Buisson Care of Elderly People Market Survey Eighth Edition

The Existing Business

Following a Business Expansion Scheme offer launched in September 1990, the Company raised £594,000 (net of expenses) and through Barleyglow acquired the Nightingale Nursing Home. In December of the following year Barleyglow entered into an agreement to manage the Knoll Nursing Home and as part of this arrangement acquired 20% of Best Nursing Homes Limited which owns the Knoll.

On 22nd February 1996, the Company purchased the balance of the investment in BNH held by BEST Investment Leisure Plc (a subsidiary of The BEST Investment Group Limited) in return for the issue of 310,000 Shares (representing 29.5% of the issued share capital of the Company immediately prior to the Offer) and a cash payment of £126,300.

This recent acquisition increases the Company's portfolio of beds to just over one hundred at the date of this Prospectus, comprising:

The Nightingale, a 58 bed home, one and a half miles from Bradford city centre and formerly part of Bradford Childrens Hospital.

The Knoll, a 43 bed home situated in Greengates, which lies between Leeds and Bradford, set in approximately 2 acres of private grounds. Planning consent exists to extend the home by a further eight single rooms.

On 26th January 1996, the Nightingale and the Knoll were valued by Weatherall Green & Smith at £2.4m on the basis of open market value in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors.

The Trading Record

	1993	1994	1995
	£'000	£'000	£'000
Combined Results for the Knoll and the Nightingale Homes			
Turnover	1,441	1,350	1,423
Operating Profit before Depreciation	455	342	395
Operating Profit	32%	25%	28%
Average Occupancy	94%	88%	90%
Notes			
1)	The above figures (excluding the Average Occupancy) have been derived from audited accounts of the Company for the years ended 30th September 1993, 1994 and 1995 and from the audited accounts of BNH for the 17 months ended 31st May 1993, for the years ended 31st May 1994 and 1995 and for the 4 months ended 30th September 1995.		
2)	The statutory accounts of the Company and BNH for the relevant financial periods, which have been delivered to the Registrar of Companies, have been reported on by the auditors of the Company and BNH in accordance with Section 235 of the Act and none of their reports was qualified or contained a statement under Section 237(2) or (3) of the Act.		

The majority of Matrix Healthcare residents have their fees funded by the state. On 1st April 1993 the state funding arrangements for nursing home residents were transferred from central government (Department of Social Security) to Local Authorities (Social Services Departments) with the introduction of The Community Care Act.

This reduced BNH's and the Company's referral rates for some time as the Social Services Departments adjusted to their new responsibilities, materially affecting occupancy levels. The management addressed this problem by emphasising commitment to quality standards and the Nightingale achieved the nationally recognised "Investor in People" award run by the Training & Enterprise Council in May 1995. Occupancy levels have since improved and in the current financial year have to date consistently exceeded 93% in both homes.

Dividend Record

The Directors stated in the original BES prospectus that they intended to pay dividends where possible, despite most BES companies concentrating on achieving capital growth and, in consequence, not generally paying dividends.

Due to its successful trading record, the Company has been in a position to maintain a consistent dividend record of at least 7.5p net per share per annum since 1992.

Strategy for the Future

On 22nd February 1996, an Extraordinary General Meeting of the Company passed resolutions to change the name of the Company to Matrix Healthcare plc, to increase the authorised share capital and to adopt new Articles of Association. The Directors believe that the endorsement from the existing shareholders, the acquisition of the Knoll and a successful fund raising under the Offer will allow development of the strategy set out below.

In the light of the factors discussed in "The Market" on page 6, there has been a significant increase in the number of beds operated by large corporate providers of nursing homes, the majority of whom concentrate on the development and/or purchase of modern purpose built facilities.

This has meant that the market in more traditional homes has been left largely to small private owners. It is in this sector that the Company has operated successfully to date. Potential residents and their families often prefer the ambience and atmosphere evident in a more traditional environment. The high cost of developing new purpose built homes means that there is a consequent pressure on fees in order for such homes to achieve a comparable return on capital. These factors have led the Directors to believe that significant advantages exist in acquiring and managing this more traditional type of home.

The Directors intend to use the net proceeds of the Offer to acquire homes of this type. Such homes are likely to have a solid trading record, will comprise 40 or more beds, be well maintained, structurally sound and will, in the Directors opinion, be capable of accommodating the likely future requirements of the registering authorities. Acquisitions will be made against the background of specific target returns. This will not preclude other healthcare investments which might be undertaken if the Board believe they might yield the required returns.

On full subscription, the Directors plan to have invested 100% of the net proceeds within 12 months. The Directors have had discussions with leading agents and are confident that suitable potential acquisitions are available.

Costs of the Offer are estimated to be 7.4% of the proceeds based on full subscription and will be met by the Company.

Dividend Policy

It is the Directors' intention that the Company maintains its dividend policy, subject to profitability and working capital requirements. They believe that they have demonstrated that efficient management of traditional homes can maintain a consistently satisfactory level of profit, enabling payment of dividends whilst continuing to reduce debt levels.

Borrowing Policy

The Directors believe that in order to optimise returns to Investors, acquisition of homes should be funded partially by debt. It is the Directors' current intention to borrow in the order of 65% of the purchase price. Loan arrangements have been agreed in principle on this basis.

AIM Quotation

In order to provide a market for the Company's shares, the Directors intend to take the Company to the Alternative Investment Market before the end of June 1996. AIM is the London Stock Exchange's market for smaller and growing companies, launched in July 1995 and currently trading the shares of 126 companies. For this purpose, Peel, Hunt & Company Limited have conditionally agreed to act as Nominated Adviser and Broker to the Company.

VCT Investment

The Directors consider that there are a number of factors which will make the Company an attractive investment for Venture Capital Trusts. A VCT is a new form of investment trust which is quoted on the full list of the London Stock Exchange and provides private investors with significant tax benefits. VCTs are designed to invest in a portfolio of qualifying unquoted trading companies.

Further capital may be sought by way of an investment from such a vehicle if the Directors consider it appropriate and in the best interests of the Company.

Directors and Management

Peter Dewe-Mathews (51) Executive Chairman, has worked in the private healthcare sector since 1978 as Managing Director of a number of healthcare companies involved in private acute hospitals, nursing homes and home care. Until 1978 he was a partner in a firm of Chartered Accountants. He is founding Chairman of the Company and will expand his role to Executive Chairman. He has invested £100,000 in the Company at the Offer price.

Roy Baguley (67) Non-Executive Director, is a chartered accountant who joined the Company early in 1991 and has since then overseen operations at both the Nightingale and the Knoll. Prior to joining Matrix Healthcare he held management, finance and accountancy positions both in industry and the accountancy profession. For ten years he was involved both in the acute hospitals and nursing home sectors of healthcare at board level.

Rupert Lywood (37) Non-Executive Director, is Managing Director of Matrix-Securities. After qualifying as a chartered accountant, he left the profession in 1983 and worked in venture capital and corporate finance before jointly founding Matrix-Data Limited, a specialist research and database management company, and Matrix-Securities. He is a director of a number of BES companies and was a founding Director of Matrix Healthcare.

The Directors believe that there is the potential for increased capacity within the existing administrative and managerial base. As the business develops it is intended to appoint regional managers to provide support for local operations. Administration will be standardised and centralised as far as possible. It is anticipated that the economies of scale implicit in the expansion of the Company's trading operations should bring increased benefits.

The Sponsor

Matrix-Securities Limited is a corporate finance house, trading principally as a sponsor of and adviser on tax efficient investment schemes and has raised in excess of £100 million for tax efficient products since 1990. Matrix-Securities is regulated in the conduct of its investment business by The Securities and Futures Authority and is also a member of The Enterprise Investment & Business Expansion Schemes Association.

Tax Reliefs Available to Investors

SECTION A: Subscribers for EIS Shares

On the basis of the information provided, including a draft of this Prospectus, the Inland Revenue has confirmed that the Company is a qualifying company under the Enterprise Investment Scheme legislation. Accordingly, provided that Investors and the Company comply with EIS legislation, which include a requirement that the Shares are held by Investors for five years, both higher and basic rate United Kingdom taxpayers should qualify for EIS tax relief on their investment in the Company. The Directors intend to manage the Company so as to maintain (as far as they are able) the status of the Company as a qualifying company for EIS purposes.

There are four EIS tax reliefs available:

- 1) Income tax relief
- 2) Capital gains tax exemption
- 3) Loss relief
- 4) Capital gains tax liability deferral

(1) Income tax relief

This allows an Investor to reduce the amount of his or her liability to income tax in the tax year of investment. Relief is obtained at the lower rate of income tax, currently 20%, on the amount invested in the shares of qualifying companies. Investors should be able to deduct an amount equal to 20% of their investment from their liability to income tax in the current tax year. Relief cannot be claimed on more than £100,000 invested by an individual (in any number of qualifying companies) in any tax year.

EXAMPLE

	£
Gross investment in shares	10,000
less tax relief (@ 20%)	(2,000)
Net cost of investment	£8,000

(2) Capital gains tax exemption

This exempts Investors from the liability to capital gains tax when they first dispose of their shares in a qualifying company. Provided that the disposal takes place at least 5 years after the issue of the shares and also provided that EIS tax relief has not been previously withdrawn, any gain accruing to an Investor on the sale, or other disposal, of shares is not charged to capital gains tax.

EXAMPLE

	£
Realised value of shares after five years	20,000
Original gross investment in shares	(10,000)
Tax free gain	£10,000

(3) Loss relief

In the event of an Investor suffering a loss from the disposal of shares in a qualifying company after five or more years, this allows the offset of the loss against either capital gains or taxable income in the year of loss or the preceding year. Assuming tax rates are not changed, both higher rate taxpayers (40%) and basic rate taxpayers (25%) should be able to offset any losses arising against either capital gains or taxable income (at their own election) in the year of realisation, provided that EIS tax relief has not been previously withdrawn.

EXAMPLE

	40% Taxpayer	25% Taxpayer
	£	£
Realised value of shares	Nil	Nil
Original net cost of investment	(8,000)	(8,000)
EIS loss relief	3,200	2,000
Net loss	(4,800)	(6,000)

(4) Capital gains tax liability deferral

This allows Investors to defer current capital gains tax liabilities (on investments up to £100,000 in any tax year) in conjunction with the income tax relief described in (1) above. An Investor can defer the liability to capital gains tax on any chargeable gain arising from the disposal of any asset on or after 29th November 1994, by investing an amount equivalent to that gain in the shares of any EIS qualifying company. Part of the liability can be deferred by investing a lesser amount.

Note that Investors who do not require the benefit of the income tax relief described in (1) above can defer gains arising from disposals on or after 30th November 1993 (see Non-EIS Shares below).

EXAMPLE

(assumes an Investor realises a chargeable gain of £10,000 on or after 29th November 1994)

	£
Gross investment in shares	10,000
Less income tax relief (@ 20%)	(2,000)
Less capital gains tax deferral (@40%)	(4,000)
Net cost of investment	4,000

SECTION B: Subscribers for Non-EIS Shares**Reinvestment relief**

This allows Investors with gains arising from the disposal of any assets to defer a chargeable gain on the assets by investing an amount equivalent to that gain in the shares of a qualifying unquoted (on the Official List) trading company; an EIS company is a qualifying company for this purpose. The obtaining of a quotation on the Alternative Investment Market by the Company would not in itself disturb Investors' ability to claim Reinvestment relief. Part of the liability can be deferred by investing a lesser amount.

Reinvestment relief should be available on gains arising from the disposal of any asset prior to or following 29th November 1994. However, disposal of the asset prior to that date specifically precludes the claiming of EIS income tax relief described in Section A above.

EXAMPLE

(assumes an Investor realises a gain of £10,000 and invests £10,000 in a qualifying company)

	£
Gross cost of investment	10,000
Less reinvestment relief (@40%)	(4,000)
Net cost of investment	6,000

Please note that this is only a condensed summary and should not be construed as constituting advice which a potential Investor should obtain from his or her own investment or taxation adviser before applying for Shares.

Risk Factors

The specific risk factors perceived to be relevant by the Directors are:

- The profitability of the Company and the return to Investors may fluctuate depending upon the maintenance of satisfactory levels of occupancy, interest rates, movements in property prices, changes in legislation and government policy regarding financial support for the elderly and infirm and the provision of long term care.
- The investment offered in this Prospectus may not be suitable for all recipients of the Prospectus. Potential investors are accordingly advised to consult an investment adviser, who is authorised pursuant to the Financial Services Act 1986 and who specialises in investments of this kind, before making their decision.
- The Company intends to utilise borrowings to obtain the optimum return and increase the number of beds in ownership and under management. Therefore any increase in interest rates may adversely affect the profitability of the Company.
- Loss of registration under the Registered Homes Act 1984 in respect of any nursing home would affect the profitability of the Company.
- Historic performance is not necessarily a guide to future performance. Returns to shareholders are not guaranteed and nothing contained in this Prospectus constitutes or is to be construed as a forecast.
- The Shares can fluctuate in monetary value and Investors may get back less than the amount originally invested.
- The investment offered in this Prospectus is designed in part to obtain EIS relief and therefore Investors are advised that:

as the investment is intended to be retained for at least five years it may not be suitable as a medium or short term investment. Investors will suffer a withdrawal of EIS tax relief if the investment is sold within five years;

the relevant tax legislation, its interpretation and rates of tax may change;

the Directors intend to manage the Company (so far as they are able) so as to maintain the status of the Company as a qualifying Company for EIS purposes. This cannot be guaranteed and EIS qualifying status may be lost.

Appendix I

Accountants' Report on Matrix Healthcare plc

The following is the text of the report from Binder Hamlyn, Chartered Accountants.

The Directors
Matrix Healthcare plc
Gossard House
7-8 Savile Row
LONDON W1X 1AF

23 February 1996

Dear Sirs

MATRIX HEALTHCARE PLC

We have examined the audited financial statements of Matrix Healthcare plc ('the Company') and its subsidiaries (together 'the Group') for the three years ended 30 September 1995 ('the reported period'). Our work has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant.

We have acted as auditors to the Group throughout the reported period. No audited financial statements have been prepared for the Group in respect of any period subsequent to 30 September 1995.

The financial information set out below is based on the audited financial statements of the Group. No adjustments have been made to these financial statements.

In our opinion the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the profit of the Group for each of the periods stated and of the state of affairs of the Group at the dates stated.

We accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of the Public Offers of Securities Regulations 1995 and consent to its inclusion in the Prospectus dated 23 February 1996 issued by the Company.

ACCOUNTING POLICIES

Accounting convention

The financial information is prepared under the historical cost convention.

Basis of consolidation

The financial information consolidates the financial statements of Matrix Healthcare plc and its subsidiary undertaking made up to 30 September each year.

Associated undertakings

Associated undertakings are those in which the Group has a long term investment in voting equity capital and over which it exerts significant influence over commercial and financial policy decisions. The financial information includes the appropriate share of associated undertaking's results and retained reserves.

Turnover

Turnover is exempt from value added tax and represents fees receivable from clients.

Tangible fixed assets and depreciation

Tangible assets are stated at cost plus any incidental costs of acquisition. Depreciation is provided on all assets other than freehold land and buildings at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Equipment and furnishings 15%

Freehold land is not depreciated. Freehold buildings are maintained so that their residual value is at least equal to their book value. Having regard to this it is the opinion of the directors that depreciation of any such property as required by the Companies Act 1985 and standard accounting practice would not be material.

Intangible fixed assets

Goodwill representing the excess of the fair value of acquisition over the value of the net assets acquired is capitalised and amortised over 20 years as, in the opinion of the directors, this represents a reasonable estimate of the period over which goodwill will be effective.

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost is arrived at as purchase cost on a first in first out basis. Net realisable value is based on estimated selling price.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Compliance with accounting standards

The financial information has been prepared in accordance with applicable accounting standards.

GROUP PROFIT AND LOSS ACCOUNTS

For the year ended 30 September

	<i>Notes</i>	<i>1993</i> <i>£'000</i>	<i>1994</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>
Turnover	1	811	725	774
Cost of sales		(411)	(393)	(399)
Gross profit		400	332	375
Administrative expenses		(201)	(216)	(213)
Operating profit	2	199	116	162
Share of associated undertaking's profit		6	13	4
Other interest receivable and similar income		33	21	22
Interest payable and similar charges	3	(80)	(69)	(61)
Profit on ordinary activities before taxation		158	81	127
Tax on profit on ordinary activities	4	(48)	(18)	(30)
Profit on ordinary activities after taxation		110	63	97
Dividend	5	(50)	(50)	(50)
Retained profit for the year	17	60	13	47
Earnings per share	22	16.6p	9.5p	14.7p

All the above results derive from continuing activities and there were no acquisitions in the period.

STATEMENT OF RECOGNISED GAINS OR LOSSES

There were no recognised gains or losses other than the profit for the period.

GROUP BALANCE SHEETS

At 30 September

	Notes	1993 £'000	1994 £'000	1995 £'000
Fixed assets				
Intangible assets	6	129	122	115
Tangible assets	7	1,131	1,087	1,068
Investments	8	120	141	152
		<u>1,380</u>	<u>1,350</u>	<u>1,335</u>
Current assets				
Stocks	9	3	3	2
Debtors	10	43	58	71
Cash at bank and in hand		241	149	141
		<u>287</u>	<u>210</u>	<u>214</u>
Creditors: amounts falling due within one year	11	<u>(187)</u>	<u>(163)</u>	<u>(141)</u>
Net current assets		<u>100</u>	<u>47</u>	<u>73</u>
Total assets less current liabilities		<u>1,480</u>	<u>1,397</u>	<u>1,408</u>
Creditors: amounts falling due after more than one year	12	<u>(764)</u>	<u>(673)</u>	<u>(637)</u>
Provisions for liabilities and charges	14	<u>(5)</u>	<u>-</u>	<u>-</u>
Net assets		<u>711</u>	<u>724</u>	<u>771</u>
Capital and reserves				
Called up share capital	16	331	331	331
Share premium account	17	263	263	263
Profit and loss account	17	117	130	177
Shareholders' funds (all equity)		<u>711</u>	<u>724</u>	<u>771</u>

GROUP CASHFLOW STATEMENTS

For the year ended 30 September

	Notes	1993 £'000	1994 £'000	1995 £'000
Net cash inflow from operating activities	19	<u>220</u>	<u>147</u>	<u>222</u>
Returns on investments and servicing of finance				
Interest received		33	21	22
Interest paid		(80)	(50)	(75)
Dividend paid		(100)	(50)	(50)
Net cash outflow from returns on investments and servicing of finance		<u>(147)</u>	<u>(79)</u>	<u>(103)</u>
Taxation				
Tax paid		(8)	(78)	(28)
Investing activities				
Purchase of tangible fixed assets		(10)	(5)	(31)
Loan to a participating interest		(10)	(11)	(9)
Net cash outflow from investing activities		<u>(20)</u>	<u>(16)</u>	<u>(40)</u>
Net cash inflow/(outflow) before financing		<u>45</u>	<u>(26)</u>	<u>51</u>
Financing				
Bank loan repayments		40	80	54
Net cash outflow from financing		<u>40</u>	<u>80</u>	<u>54</u>
Increase /(decrease) in cash and cash equivalents	20	<u>5</u>	<u>(106)</u>	<u>(3)</u>
		<u>45</u>	<u>(26)</u>	<u>51</u>

NOTES TO THE FINANCIAL INFORMATION

1 SEGMENTAL INFORMATION

The directors regard the Group as carrying on one class of business being the provision of private nursing home facilities within the United Kingdom.

2 OPERATING PROFIT

The operating profit is stated after charging:

	1993 £'000	1994 £'000	1995 £'000
Depreciation of tangible fixed assets	47	49	50
Amortisation of intangible fixed assets	7	7	7
Auditors' remuneration			
- audit fee	5	5	6
-non audit services	4	3	6
	<u> </u>	<u> </u>	<u> </u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

On bank loans and overdrafts repayable wholly or partly in more than 5 years

	80	69	61
	<u> </u>	<u> </u>	<u> </u>

4 TAXATION

UK Corporation tax at 25%
Associated undertaking
Deferred taxation
Prior year corporation tax

	42	22	31
	2	3	2
	1	(3)	(3)
	3	(4)	-
	<u> </u>	<u> </u>	<u> </u>
	48	18	30
	<u> </u>	<u> </u>	<u> </u>

5 DIVIDEND

Interim dividend paid - 7.5p net per ordinary share

	50	50	50
	<u> </u>	<u> </u>	<u> </u>

6 INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
1 October 1992, 30 September 1993, 30 September 1994 and 30 September 1995	150
Amortisation	
1 October 1992	14
Charge for the year	7
30 September 1993	21
Charge for the year	7
30 September 1994	28
Charge for the year	7
30 September 1995	35
Net book value	
30 September 1995	115
30 September 1994	122
30 September 1993	129

7 TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £'000</i>	<i>Equipment and furnishings £'000</i>	<i>Total £'000</i>
Cost			
1 October 1992	935	316	1,251
Additions	1	9	10
30 September 1993	936	325	1,261
Additions	-	5	5
30 September 1994	936	330	1,266
Additions	-	31	31
30 September 1995	936	361	1,297
Depreciation			
1 October 1992	-	83	83
Charge for the year	-	47	47
30 September 1993	-	130	130
Charge for the year	-	49	49
30 September 1994	-	179	179
Charge for the year	-	50	50
30 September 1995	-	229	229
Net book value			
30 September 1995	936	132	1,068
30 September 1994	936	151	1,087
30 September 1993	936	195	1,131

8 FIXED ASSET INVESTMENTS

(a) Investments in associated undertaking

	<i>Participating interests £'000</i>	<i>Loan £'000</i>	<i>Total £'000</i>
Cost and net book value			
1 October 1992	16	90	106
Additions	-	10	10
Share of profits	4	-	4
30 September 1993	20	100	120
Additions	-	11	11
Share of profits	10	-	10
30 September 1994	30	111	141
Additions	-	9	9
Share of profits	2	-	2
30 September 1995	32	120	152

(b) The Group has the following unlisted subsidiary and associated undertakings:

Name	Barleyglow Limited	Best Nursing Homes Limited ("BNH")
Date of incorporation	13 July 1990	6 December 1991
Country of registration	England and Wales	England and Wales
Status of company	Private	Private
Nature of business	Private nursing home	Private nursing home
Description of holdings	2 ordinary shares	200 ordinary shares
Proportion held	100%	20%

The financial information of BNH is made up to 31 May 1995 and is not co-terminous with the Company's year end. The results of BNH included in the Group accounts are based on statutory accounts of BNH adjusted by reference to the management accounts for the periods ended 30 September 1993, 1994, 1995 respectively.

9 STOCKS

	1993 £'000	1994 £'000	1995 £'000
Consumables and medical supplies	<u>3</u>	<u>3</u>	<u>2</u>

10 DEBTORS

Trade debtors	26	42	51
Other debtors	1	6	-
Advance corporation tax recoverable	4	4	7
Prepayments and accrued income	12	6	13
	<u>43</u>	<u>58</u>	<u>71</u>

11 CREDITORS: amounts falling due within one year

Bank loan and overdraft	80	104	81
Trade creditors	7	6	11
Corporation tax	43	3	19
Other taxes and social security costs	8	8	7
Accruals and deferred income	18	29	23
Advance corporation tax payable	31	13	-
	<u>187</u>	<u>163</u>	<u>141</u>

12 CREDITORS: amounts falling due after more than one year

Bank loan (note 13)	<u>764</u>	<u>673</u>	<u>637</u>
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13 BANK LOAN

The bank loan is repayable as follows:

Within one year	<u>80</u>	<u>90</u>	<u>72</u>
Between one and two years	90	100	78
Between two and five years	329	357	279
In five years or more	345	216	280
	<u>764</u>	<u>673</u>	<u>637</u>

The interest rate on the bank loan is 2% above LIBOR.

14 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax
£'000

1 October 1992	15
Transfer for the year	1
Advance corporation tax recoverable	(11)
30 September 1993	<u>5</u>
Transfer for the year	(3)
Advance corporation tax recoverable	(2)
30 September 1994	<u>-</u>
Transfer for the year	(3)
Advance corporation tax recoverable	3
30 September 1995	<u>-</u>

15 DEFERRED TAX

	1993 £'000	Provided and Potential 1994 £'000	1995 £'000
Accelerated capital allowances	16	9	6
Advance corporation tax available for off set	(11)	(9)	(6)
	<u>5</u>	<u>-</u>	<u>-</u>

16 CALLED UP SHARE CAPITAL

(a) Authorised 787,502 ordinary shares of 50p each	394	394	394
(b) Allotted and fully paid 661,502 ordinary shares of 50p each	<u>331</u>	<u>331</u>	<u>331</u>

17 RESERVES

	Share premium account £'000	Profit and loss account £'000
1 October 1992	263	57
Retained profit for the year	-	60
30 September 1993	<u>263</u>	<u>117</u>
Retained profit for the year	-	13
30 September 1994	<u>263</u>	<u>130</u>
Retained profit for the year	-	47
30 September 1995	<u>263</u>	<u>177</u>

18 RECONCILIATION OF SHAREHOLDERS' FUNDS

	1993 £'000	1994 £'000	1995 £'000
Opening shareholders' funds	651	711	724
Profit for the year	60	13	47
Closing shareholders' funds	<u>711</u>	<u>724</u>	<u>771</u>

19 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit	199	116	162
Depreciation and amortisation	54	56	57
(Increase)/decrease in stocks	(1)	-	1
Increase in debtors	(3)	(15)	(10)
(Decrease)/increase in creditors	(29)	(10)	12
Net cash inflow from operating activities	<u>220</u>	<u>147</u>	<u>222</u>

20 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

Beginning of the year	236	241	135
Net inflow/(outflow) for the year	5	(106)	(3)
End of the year	<u>241</u>	<u>135</u>	<u>132</u>

21 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1993 £'000	1994 £'000	1995 £'000
Cash at bank and in hand	241	149	141
Bank overdraft	-	(14)	(9)
	<u>241</u>	<u>135</u>	<u>132</u>

22 EARNINGS PER SHARE

Earnings per share have been calculated by dividing the profit on ordinary activities after taxation by 661,502 being the average number of shares in issue during each year.

23 DIRECTORS

	1993 £'000	1994 £'000	1995 £'000
(1) Emoluments			
The emoluments of directors of the company were:			
Remuneration and fees	<u>17</u>	<u>17</u>	<u>17</u>
(2) Bandings			
Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to the following:			
The Chairman	<u>8</u>	<u>8</u>	<u>8</u>
Highest paid director	<u>9</u>	<u>9</u>	<u>9</u>
Number of directors including the above whose emoluments were within the ranges:			
£0- £5,000	<u>1</u>	<u>1</u>	<u>1</u>
£5,001 - £10,000	<u>2</u>	<u>2</u>	<u>2</u>

24 EMPLOYEES

(1) Number of employees:

The average number of persons (excluding directors) employed by the Group was as follows: during the reported period

1993: 51

1994: 51

1995: 51

(2) Employment costs:

	1993 £'000	1994 £'000	1995 £'000
Wages and salaries	354	351	345
Social security costs	26	24	21
	<u>380</u>	<u>375</u>	<u>366</u>

25 POST BALANCE SHEET EVENTS

On 22nd February 1996 the Company changed its name from Matrix Health 2 PLC to Matrix Healthcare plc.

On 22 February 1996 Matrix Healthcare plc acquired a further 80% of the share capital of Best Nursing Homes Limited.

Best Nursing Homes Limited is now a wholly owned subsidiary of Matrix Healthcare plc.

Yours faithfully

Binder Hamlyn
Chartered Accountants

Accountants' Report on Best Nursing Homes Limited

The following is the text of the report from Binder Hamlyn, Chartered Accountants.

The Directors
Best Nursing Homes Limited
Gossard House
7-8 Savile Row
London W1X 1AF

23 February 1996

Dear Sirs

BEST NURSING HOMES LIMITED

We have examined the audited financial statements of Best Nursing Homes Limited ('the Company') for the seventeen months ended 31 May 1993, the year ended 31 May 1994, the year ended 31 May 1995 and the four months ended 30 September 1995 ('the reported period'). Our work has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant.

We have acted as auditors to the Company throughout the reported period. No audited financial statements have been prepared for the Company in respect of any period subsequent to 30 September 1995.

The financial information set out below is based on the audited financial statements of the Company. No adjustments have been made to these financial statements.

In our opinion the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the profit of the Company for each of the periods stated and of the state of affairs of the Company at the dates stated.

We accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of the Public Offers of Securities Regulations 1995 and consent to its inclusion in the Prospectus dated 23 February 1996 issued by Matrix Healthcare plc.

ACCOUNTING POLICIES

Accounting convention

The financial information is prepared under the historical cost convention.

Turnover

Turnover is exempt from value added tax and represents fees receivable from clients.

Tangible fixed assets and depreciation

Tangible assets are stated at cost plus any incidental costs of acquisition. Depreciation is provided on all assets other than freehold land and buildings at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Equipment and furnishings	15%
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Freehold land is not depreciated. Freehold buildings are maintained so that their residual value is at least equal to their book value. Having regard to this it is the opinion of the directors that depreciation of any such property as required by the Companies Act 1985 and standard accounting practice would not be material.

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost is arrived at as purchase cost on a first in first out basis. Net realisable value is based on estimated selling price.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Compliance with accounting standards

The financial information has been prepared in accordance with applicable accounting standards.

PROFIT AND LOSS ACCOUNTS

		<i>Seventeen months ended 31 May 1993</i>	<i>Year ended 31 May 1994</i>	<i>Year ended 31 May 1995</i>	<i>Four months ended 30 September 1995</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	1	927	619	636	225
Cost of sales		(490)	(365)	(380)	(127)
Gross profit		437	254	256	98
Administrative expenses		(131)	(90)	(102)	(36)
Operating profit	2	306	164	154	62
Interest payable and similar charges	3	(219)	(118)	(131)	(46)
Profit on ordinary activities before taxation		87	46	23	16
Tax on profit on ordinary activities	4	(23)	(13)	(7)	(4)
Profit on ordinary activities after taxation and retained profit for the period	13	64	33	16	12

All the above results derive from continuing activities and there were no acquisitions in the period.

STATEMENT OF RECOGNISED GAINS OR LOSSES

There were no recognised gains or losses other than the profit for the period.

BALANCE SHEETS

	<i>Notes</i>	<i>31 May 1993 £'000</i>	<i>31 May 1994 £'000</i>	<i>31 May 1995 £'000</i>	<i>30 September 1995 £'000</i>
Fixed assets					
Tangible assets	5	1,158	1,232	1,242	1,237
Current assets					
Stocks	6	2	2	2	2
Debtors	7	26	39	42	49
		28	41	44	51
Creditors: amounts falling due within one year	8	(220)	(260)	(268)	(283)
Net current liabilities		(192)	(219)	(224)	(232)
Total assets less current liabilities		966	1,013	1,018	1,005
Creditors: amounts falling due after more than one year	9	(899)	(912)	(902)	(877)
Provisions for liabilities and charges	11	(2)	(3)	(2)	(2)
Net assets		65	98	114	126
Called up share capital	12	1	1	1	1
Profit and loss account	13	64	97	113	125
Shareholders' funds (all equity)		65	98	114	126

CASHFLOW STATEMENTS

		<i>Seventeen months ended 31 May 1993</i>	<i>Year ended 31 May 1994</i>	<i>Year ended 31 May 1995</i>	<i>Four months ended 30 September 1995</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	15	335	137	173	49
Net cash outflow from returns on investments and servicing of finance					
Interest paid		(198)	(130)	(132)	(24)
Taxation					
Tax paid		-	(19)	(16)	-
Investing activities					
Purchase of tangible fixed assets		(1,172)	(82)	(20)	-
Sale of tangible fixed assets		2	-	-	-
Net cash outflow from investing activities		(1,170)	(82)	(20)	-
Net cash (outflow)/inflow before financing		(1,033)	(94)	5	25
Financing					
Issue of ordinary share capital		(1)	-	-	-
New bank loan		(500)	-	-	-
New loan from immediate parent undertaking		(400)	(50)	(32)	-
New other loan		(99)	(13)	(8)	-
Bank loan repayments		50	50	50	25
Net cash (inflow)/outflow from financing		(950)	(13)	10	25
Decrease in cash and cash equivalents		(83)	(81)	(5)	-
		(1,033)	(94)	5	25

NOTES TO THE FINANCIAL INFORMATION

1 SEGMENTAL INFORMATION

The directors regard the Company as carrying on one class of business being the provision of private nursing home facilities within the United Kingdom.

2 OPERATING PROFIT

The operating profit is stated after charging:

	<i>Seventeen months ended 31 May 1993 £'000</i>	<i>Year ended 31 May 1994 £'000</i>	<i>Year ended 31 May 1995 £'000</i>	<i>Four months ended 30 September 1995 £'000</i>
Depreciation of tangible fixed assets	12	8	10	5
Auditors' remuneration				
- audit fee	4	4	4	5
- non-audit services	2	1	2	1

3 INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Seventeen months ended 31 May 1993 £'000</i>	<i>Year ended 31 May 1994 £'000</i>	<i>Year ended 31 May 1995 £'000</i>	<i>Four months ended 30 September 1995 £'000</i>
On loans and overdrafts repayable: within five years not by instalments	21	9	13	6
wholly in more than five years	198	109	118	40
	<u>219</u>	<u>118</u>	<u>131</u>	<u>46</u>

4 TAXATION

UK Corporation tax at 25%	21	11	6	4
Deferred taxation	2	1	(1)	-
Prior year corporation tax	-	1	2	-
	<u>23</u>	<u>13</u>	<u>7</u>	<u>4</u>

5 TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £'000</i>	<i>Equipment and furnishings £'000</i>	<i>Total £'000</i>
Cost			
Additions	1,115	57	1,172
Disposals	-	(2)	(2)
31 May 1993	<u>1,115</u>	<u>55</u>	<u>1,170</u>
Additions	70	12	82
31 May 1994	<u>1,185</u>	<u>67</u>	<u>1,252</u>
Additions	9	11	20
31 May 1995 and 30 September 1995	<u>1,194</u>	<u>78</u>	<u>1,272</u>
Depreciation			
Charge for the period and at 31 May 1993	-	12	12
Charge for the year	-	8	8
31 May 1994	<u>-</u>	<u>20</u>	<u>20</u>
Charge for the year	-	10	10
31 May 1995	<u>-</u>	<u>30</u>	<u>30</u>
Charge for the period	-	5	5
30 September 1995	<u>-</u>	<u>35</u>	<u>35</u>
Net book value			
30 September 1995	<u>1,194</u>	<u>43</u>	<u>1,237</u>
31 May 1995	<u>1,194</u>	<u>48</u>	<u>1,242</u>
31 May 1994	<u>1,185</u>	<u>47</u>	<u>1,232</u>
31 May 1993	<u>1,115</u>	<u>43</u>	<u>1,158</u>

6 STOCKS

	<i>31 May 1993 £'000</i>	<i>31 May 1994 £'000</i>	<i>31 May 1995 £'000</i>	<i>30 September 1995 £'000</i>
Consumables and medical supplies	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

7 DEBTORS

Trade debtors	23	31	37	45
Other debtors	-	3	-	2
Prepayments and accrued income	3	5	5	2
	<u>26</u>	<u>39</u>	<u>42</u>	<u>49</u>

8 CREDITORS: amounts falling due within one year

	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>	<i>30 September</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1995</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank overdraft	83	164	169	169
Bank loan (note 10)	50	50	50	50
Trade creditors	4	2	17	10
Corporation tax	21	14	6	10
Other taxes and social security	4	3	4	5
Accruals and deferred income	57	24	17	38
Other creditors	1	3	5	1
	<u>220</u>	<u>260</u>	<u>268</u>	<u>283</u>

9 CREDITORS: amounts falling due after more than one year

Bank loan (note 10)	400	350	300	275
Amounts owed to immediate parent undertaking	400	450	482	482
Loan from Matrix Healthcare plc	99	112	120	120
	<u>899</u>	<u>912</u>	<u>902</u>	<u>877</u>

The amounts owed to the immediate parent undertaking and the loan from Matrix Healthcare plc are unsecured. The repayment terms are determined by the Company with the unanimous agreement of the shareholders. The interest rate is determined by the shareholders. The repayment of these loans is unlikely to occur in the foreseeable future.

10 BANK LOAN

The bank loan is repayable in annual instalments of £50,000 as follows:

Within one year	50	50	50	50
Between one and two years	50	50	50	50
Between two and five years	150	150	150	150
In five years or more	200	150	75	75
	<u>400</u>	<u>350</u>	<u>300</u>	<u>275</u>

The bank loan and overdraft are secured by a first legal charge over the freehold interest in the nursing home at The Knoll, Leeds Road, Greengates, Bradford and a floating charge over the assets of the Company in the form of a mortgage debenture. Interest is charged at 2.5% above LIBOR.

11 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>	<i>30 September</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1995</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Accelerated capital allowances	<u>2</u>	<u>3</u>	<u>2</u>	<u>2</u>

12 CALLED UP SHARE CAPITAL

	<i>£'000</i>
(1) Authorised	
1,000 Ordinary shares of £1 each	<u>1</u>
(2) Allotted and fully paid	
1,000 Ordinary shares of £1 each	<u>1</u>

13 RESERVES

	<i>Profit and loss account</i>
Profit for the period and at 31 May 1993	£'000
Profit for the year	64
31 May 1994	33
Profit for the year	<u>97</u>
31 May 1995	16
Profit for the period	<u>113</u>
30 September 1995	<u>12</u>
	<u>125</u>

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>31 May 1993</i>	<i>31 May 1994</i>	<i>31 May 1995</i>	<i>30 September 1995</i>
	£'000	£'000	£'000	£'000
Opening shareholders' funds	1	65	98	114
Profit for the period	64	33	16	12
Closing shareholders' funds	<u>65</u>	<u>98</u>	<u>114</u>	<u>126</u>

15 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<i>Seventeen months ended 31 May 1993</i>	<i>Year ended 31 May 1994</i>	<i>Year ended 31 May 1995</i>	<i>Four months ended 30 September 1995</i>
	£'000	£'000	£'000	£'000
Operating profit	306	164	154	62
Depreciation	12	8	10	5
Increase in stocks	(2)	-	-	-
Increase in debtors	(26)	(13)	(3)	(7)
Increase/(decrease) in creditors	45	(22)	12	(11)
Net cash inflow from operating activities	<u>335</u>	<u>137</u>	<u>173</u>	<u>49</u>

16 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD

	<i>31 May 1993</i>	<i>31 May 1994</i>	<i>31 May 1995</i>	<i>30 September 1995</i>
	£'000	£'000	£'000	£'000
Beginning of the period	-	(83)	(164)	(169)
Net outflow for the period	(83)	(81)	(5)	-
End of the period	<u>(83)</u>	<u>(164)</u>	<u>(169)</u>	<u>(169)</u>

17 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

Bank overdraft	<u>(83)</u>	<u>(164)</u>	<u>(169)</u>	<u>(169)</u>
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18 DIRECTORS

None of the directors received any emoluments during the reported period.

19 EMPLOYEES

(1) Number of employees

The average weekly number of persons (excluding directors) employed by the Company during the reported period was as follows:

Seventeen months ended 31 May 1993	51
Year ended 31 May 1994	48
Year ended 31 May 1995	47
Four months ended 30 September 1995	44

(2) Employment costs

	<i>Seventeen months ended 31 May 1993 £'000</i>	<i>Year ended 31 May 1994 £'000</i>	<i>Year ended 31 May 1995 £'000</i>	<i>Four months ended 30 September 1995 £'000</i>
Wages and salaries	405	294	307	102
Social security costs	22	16	15	5
	<u>427</u>	<u>310</u>	<u>322</u>	<u>107</u>

20 PARENT UNDERTAKING AT THE BALANCE SHEET DATE

The directors regard The Best Investment Group Limited, a company incorporated and registered in England and Wales, as the Company's ultimate parent undertaking.

Best Investment Leisure PLC is the parent undertaking of the smallest group of which Best Nursing Homes Limited is a member.

21 POST BALANCE SHEET EVENT

On 22 February 1996, Matrix Healthcare plc acquired a further 80% of the share capital of the Company. Best Nursing Homes Limited is now a wholly owned subsidiary of Matrix Healthcare plc.

Yours faithfully

Binder Hamlyn
Chartered Accountants

Appendix II

Statutory and General Information

1. The Company and its Share Capital

- 1.1 The Company was incorporated in England and Wales (and registered in Cardiff) on 26th January 1990 under number 2463465 as a public company with limited liability under the Companies Act 1985 with the name Matrix Health 2 PLC. On 22nd February 1996 the Company changed its name to Matrix Healthcare plc.
- 1.2 Following the issue of Shares under the BES pursuant to a prospectus dated 11th September 1990 the authorised share capital of the Company was £393,751 divided into 787,502 Shares of which 661,502 were issued and fully paid.
- 1.3 On 22nd February 1996 resolutions were passed at an Extraordinary General Meeting of the Company to the effect that :
- (i) the authorised share capital of the Company be increased to £2,500,000 comprising 5,000,000 Shares by the creation of 4,212,498 new Shares; and
 - (ii) new Articles of Association be adopted, containing, inter alia, the authorities referred to in paragraphs 1.6 and 1.7 and the provisions referred to in paragraph 7 below.
- 1.4 On 22nd February 1996:
- (i) 80,000 Shares were allotted and issued for cash to Peter Dewe-Mathews at £1.25 per Share;
 - (ii) 310,000 Shares were allotted and issued credited as fully paid to BIL pursuant to the contract referred to in paragraph 13.2 below.
- 1.5 On the basis of full subscription, the issued share capital of the Company following the Offer will be £1,525,751 comprising 3,051,502 Shares.
- 1.6 The Directors are generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £2,169,249 being the whole of the authorised but unissued share capital of the Company prior to the allotments referred to in paragraph 1.4, such authority to expire on the conclusion of the annual general meeting of the Company to be held in 1997 or 21st May 1997, whichever is the earlier.
- 1.7 The Directors are empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority in paragraph 1.6 above, as if section 89(1) of the Act did not apply to such allotment.
- 1.8 Save as disclosed in this paragraph 1 and in paragraphs 5 and 13 below, no share or loan capital of the Company has been issued or is now proposed to be issued fully or partly paid either for cash or for a consideration other than cash nor have any commissions, discounts, brokerages or other special terms been granted by the Company in connection with the issue or sale of its share or loan capital, nor is any share or loan capital of the Company under option.

2. The Principal Objects

- 2.1 The principal objects of the Company contained in its Memorandum of Association are, inter alia, to own, operate, manage, maintain, furnish and fit up with all necessary equipment, hospitals or nursing homes with all suitable accommodation for the treatment and care of patients.

3. Secretary and Registered office

- 3.1 The Secretary is Suzannah Bell of Gossard House, 7-8 Savile Row, London W1X 1AF.
- 3.2 The registered office of the Company and its subsidiaries is Gossard House, 7-8 Savile Row, London W1X 1AF.

4. Accounting Reference Date

- The Company's accounting reference date is 30th September in each year.

5. Directors' and Other Interests

- 5.1 Save as disclosed herein, the Directors have no holdings in the share capital of the Company.
- 5.2 Peter Dewe-Mathews has an option under the terms of his service contract with the Company (described in paragraph 5.4) to subscribe for cash up to such number of Shares as represents five per cent of the share capital of the Company following the Offer at a price of £1.25 per Share for a period of five years from the date of the Offer irrespective of the termination of his service contract. Peter Dewe-Mathews also has a beneficial interest in 80,000 Shares and a non-beneficial interest in 10,000 Shares at the date of this Prospectus.
- 5.3 Rupert Lywood is a director of Matrix-Securities which has entered into the Sponsorship Agreement under which it will receive fees, details of which are given in paragraph 13.1 and which has an option to subscribe Shares as described in paragraph 13.3. Rupert Lywood was also a subscriber to the Memorandum and Articles of Association and he has retained one Share.
- 5.4 On 23rd February 1996 Peter Dewe-Mathews entered into a service agreement with the Company under which he agreed to serve as Executive Chairman. The agreement is terminable by 12 months notice from the Company to Peter Dewe-Mathews or by six months notice from Peter Dewe-Mathews to the Company. His remuneration comprises the higher of £25,000 per annum and a sum of £150 per annum for each occupied bed at the Company's nursing homes (calculated on average occupancy for each month) together with a fee of 1 per cent of the purchase price of each nursing home acquired by the Company during the term of the agreement. This remuneration is subject to an annual review by the Board. In addition, an option to subscribe Shares (which is described in paragraph 5.2) was granted to the Executive Chairman pursuant to this agreement.
- 5.5 Save as disclosed above, there are no service contracts existing or proposed between any Director and the Company or any subsidiary of the Company, which will not expire or are not

terminable by the employing Company without payment of compensation within one year.

- 5.6 There are no outstanding loans granted by the Company to any of the Directors, nor are there any guarantees provided by the Company for their benefit.
- 5.7 Save as disclosed in this Prospectus, no Director has any direct or indirect interest in any assets which have been acquired or disposed of or leased to the Company or are proposed to be acquired or leased or disposed of by the Company.
- 5.8 Save as disclosed in this Prospectus, none of the Directors has any direct or indirect interest in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company.
- 5.9 The aggregate remuneration payable to the Directors and benefits in kind to be granted to the Directors for the financial year ended 30 September 1995 was £17,000. It is estimated that the aggregate remuneration payable to the Directors and benefits in kind to be granted to the Directors for the current financial year of the Company under arrangements in force at the date of the Offer is £29,500.

6 Indebtedness

- 6.1 As at 20th February 1996 the Company, Barleyglow and BNH had aggregate borrowings of £941,277 from Barclays Bank plc, secured by fixed and floating charges over the undertaking, property and assets of each of the Company, Barleyglow and BNH.
- 6.2 Save as disclosed in paragraph 6.1 and apart from intra-group loans, as at 20th February 1996 no company in the Group had any loan capital (including term loans) outstanding or created but unissued, any mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, any liabilities under acceptances or acceptance credit or any hire purchase commitments, guarantees or other material contingent liabilities.

7 Articles of Association

The Articles of Association of the Company ("the Articles") as adopted pursuant to a resolution of the Company passed on 22nd February 1996 contain provisions, inter alia, to the following effect:

7.1 Voting Rights

- 7.1.1 Shareholders have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in paragraphs 7.1.2 and 7.2 below, on a show of hands each shareholder present in person and entitled to vote shall have one vote and, upon a poll, each holder who is present in person or by proxy and is entitled to vote shall have one vote in respect of every share held by him.
- 7.1.2 No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares in the Company remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in paragraph 7.2 below.

7.2 Restrictions on Shares

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 212 of the Act and is in default in supplying to the Company information thereby required within the period of 14 days after the service of such notice the Company may serve on such member or any such person a notice (a "restriction notice") directing that the member shall not be entitled to vote at any general meeting of the Company in respect of the shares in relation to which the default occurred (the "default shares"). Where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class the restriction notice may in addition direct, inter alia, that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and that no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and he proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any share subject to the transfer or the transfer is an excepted transfer (as defined in the Articles).

7.3 Variation of Share Rights

Subject to the provisions of the Act and all statutes and subordinate legislation for the time being in force concerning companies so far as they apply to the Company ("the Statutes"), the rights attached to any class of shares may be varied whether or not the Company is being wound up (i) in such manner (if any) as may be provided by those rights or (ii), in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class held validly in accordance with the Articles, but not otherwise.

7.4 Transfer of Shares

A member may transfer all or any of his shares by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by or on behalf of the transferee.

The Board may, in its absolute discretion and without giving a reason, refuse to register the transfer of a share unless:

- (i) it is in respect of a share which is fully paid;
- (ii) it is in respect of only one class of shares;
- (iii) it is in favour of not more than four transferees;
- (iv) it is duly stamped (if required); and
- (v) it is delivered for registration to the registered office or such other place as the Board may decide, accompanied by the appropriate certificate and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer of, if executed by some other person, the authority of that person.

In addition, no transfer of any share will be registered in the circumstances set out in paragraph 7.2 above.

7.5 Directors

7.5.1 Unless otherwise determined by ordinary resolution of the Company the number of Directors is not subject to a maximum but must not be less than two.

7.5.2 The quorum necessary for the transaction of the business of the Directors shall be two.

7.5.3 A Director who, at the request of the Board, goes or resides abroad, makes a special journey or performs a special service on behalf of the Company, may be paid such reasonable additional remuneration and expenses as the Board may decide.

A Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as a Director, including expenses incurred in attending meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of a class of shares or debentures.

The Board may provide pensions or other retirement or superannuation benefits and death or disability benefits or other allowances or gratuities for a person who is or has at any time been a director of (i) the Company, or (ii) a company which is or was a subsidiary of the Company, or (iii) a company which is or was allied to or associated with the Company or a subsidiary of the Company (and for any member of his family, including a spouse or former spouse, or a person who is or was dependent on him). For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums.

Any Director who is appointed to hold employment or executive office may be paid in addition to or instead of any Directors' fees such salary or remuneration (whether by way of a fixed sum of money or wholly or in part governed by business done or profits made or otherwise) as the Board may decide.

7.5.4 No Director may vote on or be counted in the quorum in relation to a contract, arrangement, transaction or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (other than the division of remuneration as referred to in paragraph 7.5.3 above) otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. The Company may by ordinary resolution suspend or relax this prohibition to any extent or rectify any transaction not authorised by reason of a contravention of the prohibition. The prohibition does not apply to a resolution concerning:

(i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by a Director at the

request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(iii) a contract, arrangement, transaction or proposal concerning an offer of shares or debentures or other securities of the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting;

(iv) a contract, arrangement, transaction or proposal concerning any other company (including a subsidiary of the Company) in which he is interested (directly or indirectly) and whether as an officer or shareholder, creditor or otherwise, if he is not the holder of or beneficially interested in one per cent. or more of the share capital of the relevant company;

(v) a contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension fund, retirement, death or disability benefits scheme or personal pension plan under which he may benefit and which either (a) has been approved by or is subject to and conditional upon approval by the Board of the Inland Revenue for taxation purposes, or (b) relates to both employees and Directors of the Company (or any of its subsidiaries) and does not accord to a Director as such a privilege or advantage not accorded to the employees to whom the scheme or fund relates;

(vi) a contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for employees, including full time executive Directors of the Company and/or a subsidiary to acquire shares in the Company or any arrangements for the benefit of employees of the Company (or any of its subsidiaries) under which the Director benefits in a similar manner to employees and which does not accord to a Director as such a privilege or advantage not accorded to the employees to whom it relates; and

(vii) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of an insurance policy under which he may benefit.

7.5.5 No Director may vote or be counted in the quorum on a resolution concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of an office or place of profit with the Company or any company in which the Company is interested. The Company may by ordinary resolution suspend or relax this prohibition to any extent or rectify any transaction not authorised by reason of a contravention of the prohibition.

7.5.6 A Director is not required to hold any shares in the Company by way of qualification for office.

7.6 *Borrowing Powers*

Subject to the provisions below, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the Statutes, to issue debentures and other securities, whether outright or as a collateral security for a debt, liability or obligation of the Company or a third party.

The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to procure (as regards subsidiary undertakings, to the extent that it can procure by such exercise) that the aggregate principal amount outstanding in respect of moneys borrowed (as defined in the relevant Article) by the Group does not at any time without the previous sanction of an ordinary resolution of the Company exceed a sum equal to three times the adjusted share capital and reserves as more particularly set out in the Articles.

7.7 *Dividends and Distributions on Liquidation to Shareholders*

Subject to the Statutes and the Articles, the Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board. Subject as otherwise provided by the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionally to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Subject to the provisions of the Statutes and the Articles, the Directors may pay such interim dividends as they think fit. The Board may if authorised by an ordinary resolution of the Company, offer shareholders in respect of any dividend the right to elect to receive ordinary shares by way of scrip dividend instead of cash.

Any dividend unclaimed after a period of twelve years from the date of its declaration shall be forfeited and cease to remain owing by the Company.

On a winding up, the liquidator may, on obtaining any sanction required by law, divide amongst the members the whole or any part of the assets of the Company and may, for such purposes, set such value as he deems fair upon any property to be so divided and may determine how such division shall be carried out.

8 *Litigation*

There are no litigation or arbitration proceedings active, pending or threatened against, or being brought by the Company or either of its subsidiaries which are having or may have a significant effect on the Company's financial position.

9 *Expenses of the Offer*

The expenses of the Offer will be paid by the Company out of the proceeds of the Offer and out of other funds available to the Company.

10 *Expected Proceeds of the Offer*

The total proceeds which it is expected will be raised by the Offer (assuming full subscription) are

£2,500,000, and the expected net proceeds, after deduction of the expenses of the Offer are £2,314,775.

11 *Consent*

11.1 Binder Hamlyn have given and not withdrawn their written consent to the inclusion in this document of their reports contained in Appendix I and the references thereto and to them in the form and context in which they appear.

11.2 Coopers & Lybrand, Peel, Hunt & Company Limited and Weatherall Green & Smith have given and not withdrawn their written consents to the issue of this document with the references to them in the form and context in which they appear.

12 *Responsibility Statements*

12.1 The Directors of the Company (whose names, addresses and functions appear on pages 5 and 9) hereby declare that to the best of their knowledge the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect the import of such information. The Directors accept responsibility accordingly for all the contents of the Prospectus other than Appendix 1.

12.2 Binder Hamlyn (whose name, address and function appears on page 4) accept responsibility for the contents of Appendix I).

13 *Material Contracts*

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company in the two years preceding the date of this Prospectus and are or may be material:

13.1 A Sponsorship Agreement dated 23rd February 1996 made between the Company (1) the Directors (as therein defined) (2) and Matrix-Securities (3), under which Matrix-Securities has agreed to use its reasonable endeavours to procure subscribers for the Shares. The Company will pay to Matrix-Securities a fee of 5% of the gross proceeds of the Offer (out of which it will pay commission on successful applications introduced by authorised intermediaries and receiving agents fees), all reasonable costs, charges and expenses of printing and distributing this Prospectus and Matrix-Securities' reasonable legal expenses. In addition, the Company will pay to Matrix-Securities an annual fee of £12,000 in respect of the provision of general financial advice and services, including the provision of the Company's Registrars. The Company is required to appoint one non-executive director nominated by Matrix-Securities, who will not receive a fee. The Company and the Directors have given certain warranties, representations and undertakings to Matrix-Securities and have entered into certain undertakings relating to the conduct of the business of the Company.

13.2 A Share Purchase Agreement dated 22nd February, 1996 made between BIL and the Company, under which the Company agreed to purchase 800 "B" ordinary shares in the capital of BNH in return for the issue of 310,000 Shares ("the Consideration Shares") and a cash payment of £263,754 and BIL agreed to assign to the Company the benefit of its loan to BNH together with accrued but unpaid interest and declared but unpaid dividend owed by BNH to BIL. The Consideration Shares rank *pari passu* in all respects with the existing Shares save they do not rank for the dividend declared by the Company in relation to a record date of the opening of the business on 22nd February 1996 of 3.75 pence per Share. BIL has also agreed not to

sell any Consideration Shares at a discount of more than 10 per cent to the market value of the Company's ordinary shares within a period of two years following 22nd February 1996, provided that BIL's holding of Consideration Shares shall represent not less than 15 per cent of the issued share capital from time to time of the Company, without first notifying the Company and giving the Company not less than 14 days to find a buyer for the Consideration Shares at a price equivalent to or higher than BIL's proposed sale price in which case BIL shall sell Consideration Shares to such buyer. This agreement shall not prevent BIL from creating a charge over the Consideration Shares or from accepting a general offer to acquire the entire issued share capital of the Company.

- 13.3 An Option Agreement dated 23rd February 1996 made between the Company (1) and Matrix-Securities (2) pursuant to the arrangements described in the prospectus of the Company dated 11th September 1990, under which Matrix-Securities was granted an option to subscribe 33,075 Shares at a price of £1 per Share exercisable at any time prior to 5th October 2000.

14 Working Capital

The Directors consider that the Company will have sufficient working capital for its present requirements. The Company's working capital will be provided out of the existing funds of the Company and the proceeds of the Offer.

15 Prospects

The Directors consider that the prospects for the Company for the current financial year are good.

16 Taxation

- 16.1 Under current UK taxation legislation, no tax will be withheld at source from dividend payments by the Company on any shares of the Company, although the Company will, upon paying a dividend, have to account to the Inland Revenue for an amount of advance corporation tax ("ACT") which is, for the fiscal year 1995/1996, set at a rate of 20/80ths of the amount of the dividend. Accordingly, the ACT related to the dividend currently equals 20% of the cash dividend plus the ACT.

- 16.2 For shareholders resident in the UK, Commonwealth citizens and certain other categories, a tax credit is available for the fiscal year 1995/96 equal to 25 per cent. of the dividend paid. The dividend and associated tax credit received by a UK resident shareholder is included as the top slice in calculating his total income for UK tax purposes. To the extent that a shareholder's income does not exceed the threshold for higher rate tax, tax will be chargeable on the amount of the dividend plus the associated tax credit at 20 per cent., so no further tax will be payable in respect of the dividend (the tax credit matching the tax liability). To the extent that a shareholder's income exceeds the threshold for higher rate tax, tax will be chargeable on the amount of the dividend plus the associated tax credit at 40 per cent. (less the amount of the associated tax credit) giving rise to additional tax of 20 per cent. in respect of the dividend plus the associated tax credit. To the extent that his total tax credits exceed his overall income tax liability, an individual shareholder may claim to have the excess paid to him by the Inland Revenue. A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received from the Company and may in general be able to treat the dividend received and related tax credit as franked investment income.

- 16.3 Other shareholders who are not resident in the UK are not generally entitled to the benefit of a tax credit in respect of dividends received from the Company. Such a shareholder may be entitled to payment from the Inland Revenue of a proportion of the tax credit if there is an appropriate provision in an applicable double tax convention.

- 16.4 Any person who is not resident in the UK should consult his own tax adviser as to whether he is entitled to claim any repayment, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which he is subject to tax.

17 General

- 17.1 The auditors of the Company are Binder Hamlyn of St Paul's House, Park Square, Leeds LS1 2PJ
- 17.2 An interim dividend has been declared in relation to a record date of the opening of business on 22nd February 1996 of 3.75p per Share.
- 17.3 The Company is the holding company of a group of companies involved in the operation of private nursing homes and has the following subsidiary companies, both of which are incorporated in England and Wales and are directly and wholly owned by the Company:

<i>Name</i>	<i>Principal Place of Business</i>	<i>Issued & Fully Paid Share Capital</i>
Barleyglow Limited	Nightingale Nursing Home St Mary's Road, Manningham, Bradford.	£2
Best Nursing Homes Limited	Knoll Nursing Home, Leeds Road, Greengates, Bradford.	£1,000

- 17.4 A copy of this document has been delivered to the Registrar of Companies at 55 City Road, London EC1Y 1DB for registration in accordance with regulation 4(2) of the POS Regulations.
- 17.5 The Offer is open from the date of this Prospectus until the earlier of 3 p.m. on 29th March 1996 (unless extended by the Directors) and the date on which the Offer is fully subscribed.
- 17.6 Save as mentioned in paragraph 9, there are no amounts to be provided in respect of the matters mentioned in Regulation 21(a) Part IV of Schedule 1 of the POS Regulations whether out of the proceeds of the Offer or otherwise.

18 Inspection of Documents

Copies of the following documents may be inspected at the registered office of the Company during usual business hours on weekdays (except Saturdays, Sundays and public holidays) until the close of the Offer:-

- 18.1 the Memorandum and Articles of Association of the Company;
- 18.2 the written consents referred to in paragraph 11 above;
- 18.3 the material contracts referred to in paragraph 13 above.

Date: 23rd February 1996

Procedure for Application

General

Applications, which should be for a minimum of £2,000 (i.e. 1,600 Shares) and thereafter in multiples of £100 (i.e. 80 Shares), must be made on the Application Form opposite at the Offer price, payable in full on application and forwarded by post or hand to **Matrix Healthcare plc, c/o Matrix-Data Limited, Gossard House, 7-8 Savile Row, London W1X 1AF**. Applications will only be accepted on the terms and conditions set out in this Prospectus.

<i>Number of Shares applied for</i>	<i>Shares at £1.25 each</i>
1,600	2,000
2,000	£2,500
5,000	£6,250
10,000	£12,500
25,000	£31,250
50,000	£62,500
80,000	£100,000
100,000	£125,000

One or more separate cheques or banker's drafts for the amount(s) subscribed must accompany each Application Form and should be made payable to **Matrix Healthcare plc**.

EIS and Non-EIS Shares

Investors may apply for EIS or Non-EIS Shares or for a combination of the two. More detailed information on the tax reliefs can be found on pages 3 and 10 to 11.

Subscribers should note that once full subscription for EIS and/or Non-EIS Shares has been reached, further applications for the relevant category of Shares will be rejected and monies will be returned as soon as possible without interest.

Tax Year Options

Investors may elect to claim EIS and/or Reinvestment relief in respect of the 1995/96 **and/or** 1996/97 tax years by completing the appropriate boxes on the Application Form. Investors wishing to obtain relief in the 1996/97 tax year may date their cheques on or after 6th April 1996. Investors wishing to obtain relief in **both** the 1995/96 and 1996/97 tax years should provide **two** cheques.

Closing Date

The Offer will close on the earlier of 29th March 1996 (unless extended by the Directors) and the date on which the Offer is fully subscribed. However, the Directors will, if Investors so elect, issue Shares both before and after 5th April 1996.

IMPORTANT

Ideally you should make payment by means of a cheque drawn by the person named as applicant.

If this is not done and an application exceeds a total of £10,000, further verification of the applicant's identity will be required under the Money Laundering Regulations 1993.

Identity will be verified by means of:

- a "Letter of Introduction" from a UK or EC financial institution (such as a bank) or other regulated person (such as a solicitor, accountant or a firm which is a member of a regulatory authority such as SFA, IMRO, LAUTRO or PLA) who is subject to the Regulations. Matrix Securities will provide specimen wording on request.
- or
- (a) an original passport or identity card, incorporating a photograph (or if this is not practicable, a copy certified as true by a solicitor or notary public); **and**
- (b) a birth certificate, medical card or similar (or a certified copy as above) or an original public utilities bill or bank account statement showing the name and correct address of the applicant.

APPLICATION FORM

Applications will be processed from 28th February 1996. The Offer will close on the earlier of 3.00 pm on 29th March 1996 (unless extended by the Directors) and the date on which the Offer is fully subscribed.

This Application Form should be sent to:

Matrix Healthcare plc c/o Matrix Data Limited, Gossard House, 7-8 Savile Row, London W1X 1AF

MATRIX HEALTHCARE plc

1995/96	EIS Shares	Number	@ £1.25 per Share £
1995/96	Non-EIS Shares	Number	@ £1.25 per Share £
1996/97	EIS Shares	Number	@ £1.25 per Share £
1996/97	Non-EIS Shares	Number	@ £1.25 per Share £

Applications must be for a minimum of 1,600 Ordinary Shares (£2,000) and thereafter in multiples of 80 Ordinary Shares (£100).

If you wish to obtain relief in both the 1995/96 and 1996/97 tax year you should provide two cheques.

The Directors, Matrix Healthcare plc

Gentlemen,

In consideration of your agreeing to consider my application, I irrevocably offer to subscribe the number of Ordinary Shares at £1.25 per Share set out above on the terms of the Prospectus dated 23rd February, 1996 and subject to the Memorandum and Articles of Association of the Company. I enclose (a) cheque(s)/bankers draft(s) made payable to "Matrix Healthcare plc" for the above mentioned sum(s), being the amount payable in full on application for the stated number of Ordinary Shares. I agree to accept the same or smaller number of Ordinary Shares in respect of which my application may be accepted.

I hereby authorise you to send me a definitive share certificate for the number of Ordinary Shares in respect of which this application is accepted and/or a cheque for monies in respect of and to the extent that my application is not accepted, by post at my risk to the address given below. I understand that the Company has reserved the right to allot to applicants the same or any such smaller number of Ordinary Shares which (in its absolute discretion) it thinks fit for which any such application has been made.

I understand that due completion and delivery of this Application Form accompanied by (a) cheque(s) will constitute a representation and an undertaking that the cheque(s) will be honoured on first presentation.

Surname		Mr/Mrs/Miss
Forenames		
Address		
	Postcode	
Telephone No. (Office)	Telephone No. (Home)	
Signature	Date	

NOTE: The boxes below must be completed in full before any commission will be paid.

NOTE: Under the provisions of the Financial Services Act 1986, Matrix Securities is only able to pay commission to Agents who can make the statement below.

Agent's Name, Office Stamp and Full Address and Telephone Number	I confirm that we are authorised under the Financial Services Act 1986 to handle investment in EIS.
	Signed
	Name of Signatory
	Capacity
	Name of Firm/Company
	Date

ANNEXURE II

**Interim accounts for the period 1 October 1995 to 21
February 1996**

Matrix Healthcare plc

ACCOUNTS

For the period ended 21st February 1996

Prepared pursuant to Section 272 of the Companies Act 1985

Company Number 02463465

PROFIT AND LOSS ACCOUNT

For the period ended 21st February 1996

	Notes	Period ended 21st February 1995 £'000	Year ended 30th September 1994 £'000
Turnover		—	—
Operating profit		-	-
Dividend received from subsidiary		<u>177</u>	<u>50</u>
Profit on ordinary activities before taxation		177	50
Tax on profit on ordinary activities	1	—	—
Profit on ordinary activities after taxation		177	50
Dividend	2	—	<u>(50)</u>
Retained profit for the period		<u><u>177</u></u>	<u><u>—</u></u>

STATEMENT OF RECOGNISED GAINS OR LOSSES

There were no recognized gains or losses other than the profit for the period.

BALANCE SHEET

As at 21st February 1996

	Notes	21st February 1996 £'000	30th September 1995 £'000
Current assets			
Debtors	3	771	607
Creditors: amounts falling due within one year	4	—	(13)
Net assets		<u>771</u>	<u>594</u>
Capital and reserves			
Called up share capital	5	331	331
Share premium	6	263	263
Profit and loss account	6	<u>177</u> <u>771</u>	<u>—</u> <u>594</u>

The financial statements on pages 2 to 5 were approved by the Board on 22nd February 1996 and signed on their behalf by:

Peter Dewe Mathews
Director

NOTES TO THE ACCOUNTS

For the period ended 21st February 1996

1. TAXATION

No provision is made for Taxation as dividends received were paid under a group election.

2. DIVIDEND

	1996 £'000	1995 £'000
Paid dividend on 7.5p net per ordinary share	<u>-</u>	<u>50</u>

3. DEBTORS

	1996 £'000	1995 £'000
Amounts owed from subsidiary undertaking	771	594
Advance corporation tax recoverable	<u>-</u>	<u>13</u>
	<u>771</u>	<u>607</u>

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £'000	1995 £'000
Amounts owed to subsidiary undertaking	<u>-</u>	<u>13</u>
	<u>-</u>	<u>13</u>

5. CALLED UP SHARE CAPITAL

	1996 £'000	1995 £'000
(a) Authorized 787,502 (1995-787,502) ordinary shares of 50p each	<u>394</u>	<u>394</u>
(b) Allotted and fully paid 661,500 (1995-661,500) ordinary shares of 50p each	<u>331</u>	<u>331</u>

6. RESERVES

	Share Premium Account £'000	Profit & Loss Account £'000
(a) Group		
1st October 1995	263	-
Retained profit for period	-	<u>177</u>
21st February 1996	<u>263</u>	<u>177</u>

7. RECONCILIATION OF SHAREHOLDERS FUNDS

	1996 £'000	1995 £'000
Opening shareholders' funds	594	594
Profit for the period	<u>177</u>	<u>-</u>
Closing shareholders' funds	<u>771</u>	<u>594</u>