This document is important. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Matrix Ordinary Shares, you should immediately send this document, together with the accompanying forms of proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, these documents should not be forwarded or transmitted into the United States, Canada, Australia or Japan.

This document is drawn up in compliance with the AIM Rules and the Public Offers of Securities Regulations 1995 (as amended) (the "Regulations"), although it does not comprise a prospectus for the purposes of the Regulations. To the best of the knowledge of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in it is in accordance with the facts and there is no information the omission of which is likely to affect the import of such information. The Directors and Proposed Directors, whose names are set out on page 3, accept responsibility for the contents of this document accordingly.

Application will be made for the Existing Matrix Ordinary Shares and the Initial Consideration Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that admission will become effective and that dealings in the Existing Matrix Ordinary Shares and the Initial Consideration Shares will commence on 12 February 2004. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with larger or more established companies tends to be attached. In addition, the rules of AIM are less demanding than those of the Official List. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. It is emphasised that no application is being made for admission of the Existing Matrix Ordinary Shares or the Initial Consideration Shares to the Official List. Furthermore, the London Stock Exchange has not examined or approved the contents of this document. The Existing Matrix Ordinary Shares and the Initial Consideration Shares are not dealt in on any other recognised investment exchange and no other such applications have been made.

Matrix Healthcare plc

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with Registered No. 2463465)

Proposed acquisitions of Newsham and Woodland
Proposed admission to trading on AIM of the Enlarged Share Capital
Proposed change of name
Release of statutory financial statements
Extraordinary General Meeting and Annual General Meeting

Nominated Adviser and Broker

Durlacher Limited

Durlacher Limited, which is the Company's nominated adviser for the purposes of the AIM Rules and broker and is regulated by The Financial Services Authority and is a member of the London Stock Exchange, is acting exclusively for the Company in connection with the matters set out in this document. Durlacher Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of Durlacher Limited nor for advising any other person on the arrangements described in this document. The responsibilities of Durlacher Limited as the Company's nominated adviser for the purposes of the AIM Rules and broker are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Proposed Director or to any other person in respect of his decision to acquire Matrix Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Durlacher Limited as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Notice of an Extraordinary General Meeting of Matrix Healthcare plc to be held at Gossard House, 7-8 Savile Row, London W1S 3PE at 9.30 a.m. on 11 February 2004 is set out at the end of this document. Matrix Shareholders are requested to complete and return the enclosed blue form of proxy, whether or not they intend to be present at the meeting, as soon as possible and, in any event, in order to be valid, so as to be received by the Company's registrars, Capita Registrars, (Proxy Dept), P.O. Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4BR, not later than 9.30 a.m. on 9 February 2004 (or 48 hours before any adjournment of that meeting).

Your attention is drawn to the section entitled "Risk factors" set out in Part II of this document.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	19 January 2004
Latest time and date for receipt of blue forms of proxy for the Extraordinary General Meeting	9.30 a.m. on 9 February 2004
Latest time and date for receipt of white forms of proxy for the Annual General Meeting	9.40 a.m. on 9 February 2004
Extraordinary General Meeting	9.30 a.m. on 11 February 2004
Annual General Meeting	*9.40 a.m. on 11 February 2004
Completion of the Acquisitions	12 February 2004
Admission to trading on AIM of the Existing Matrix Ordinary Shares and the Initial Consideration Shares	12 February 2004
CREST stock accounts credited in respect of Initial Consideration Shares (as applicable)	12 February 2004
Certificates in respect of Initial Consideration Shares (as applicable) dispatched	by 19 February 2004

*or such later time as the preceding meeting concludes or is adjourned.

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors	Peter Dewe-Mathews *(Chairman)* John Spiers *(Director)* Rupert Lywood *(Director)*
Proposed Directors	Jeremy Davies *(Proposed Managing Director)* Richard Ellert *(Proposed Finance Director)* Pearl Jackson *(Proposed Operations Director)*
Secretary and Registered Office	Mark Osborne Gossard House 7-8 Savile Row London W1S 3PE
Nominated Adviser & Broker	Durlacher Limited 4 Chiswell Street London EC1Y 4UP
Solicitors to the Company	DLA Princes Exchange Princes Square Leeds LS1 4BY
Auditors & Reporting Accountants	Deloitte & Touche LLP 1 City Square Leeds LS1 2AL
Property valuers	Christie & Co 50 Victoria Street London SW1H 0NN
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

LETTER FROM THE CHAIRMAN OF MATRIX

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with Registered No. 2463465)

Directors:	*Registered Office:*
Peter Dewe-Mathews *(Chairman)*	Gossard House
John Spiers *(Director)*	7-8 Savile Row
Rupert Lywood *(Director)*	London W1S 3PE

Proposed Directors:
Jeremy Davies *(Proposed Managing Director)*
Richard Ellert *(Proposed Finance Director)*
Pearl Jackson *(Proposed Operations Director)*

19 January 2004

To the Matrix Shareholders

Dear Sir or Madam,

Proposed acquisitions of Newsham and Woodland
Proposed admission to AIM of the Enlarged Share Capital
Proposed change of name
Release of statutory financial statements
Extraordinary General Meeting and Annual General Meeting

Introduction

The Board of Matrix announced today that the Company has conditionally agreed to acquire the entire issued share capital of Newsham and Woodland for an aggregate maximum consideration of £2.45 million.

The Newsham Acquisition involves the payment of up to £1.25 million to the Newsham Vendors. The total £1.25 million consideration due to the Newsham Vendors will be payable as to £750,000 by the allotment of 1,875,000 Initial Consideration Shares on Completion and as to £500,000 by the allotment of 1,250,000 Further Consideration Shares dependent upon planning permission being obtained on surplus land at Newsham House, Gloucester. In addition, Matrix will assume Newsham's net debt, which is approximately £750,000.

The Woodland Acquisition involves the payment of £1.2 million to the Woodland Vendors on Completion, which will be satisfied as to £400,000 in cash and £800,000 by the allotment to the Woodland Vendors of 2,000,000 Initial Consideration Shares. In addition, Matrix will assume Woodland's net debt, which is approximately £2.0 million.

In order to provide the necessary finance for the Acquisitions and the Enlarged Group's on-going requirements, the Company is raising £9.75 million through new debt facilities with Fortis Bank S.A./N.V., from Completion. Of the new debt facilities, £6.0 million will be available on Completion of which £5.4 million will be drawn down and will be applied to refinancing the Company's existing borrowings, in funding the cash element of the Woodland Acquisition, to refinancing £2.75 million debt within Newsham and Woodland and to provide working capital for the further development of the Enlarged Group. The balance of £600,000 will be available to the Enlarged Group from Completion as an overdraft facility for working capital purposes. The £3.75 million balance of the new debt facilities will be made available to the Enlarged Group for further acquisitions, as they arise, subject in each case to the prior approval of Fortis Bank S.A./N.V.

The Board of Matrix also announced that Best Investment and I have today converted our holdings of £850,000 and £50,000 Matrix Convertible Loan Stock respectively into holdings of 2,575,757 and 151,515 Matrix Ordinary Shares. Best Investment and I today sold 2,727,272 Matrix Ordinary Shares to Jeremy Davies and Richard Ellert (together "the Davies and Ellert Concert Party") at a price of 40p per Matrix Ordinary Share.

As the Davies and Ellert Concert Party has acquired 2,727,272 Matrix Ordinary Shares, representing approximately 54.4 per cent. of the Company's Share Capital as enlarged by the conversion of the Matrix Convertible Loan Stock, they are required pursuant to Rule 9 of the City Code to make a mandatory cash offer for the remainder of the Share Capital of the Company that they do not already own.

Jeremy Davies is a shareholder in Newsham and Woodland and Pearl Jackson, the proposed Operations Director, is a shareholder in Woodland and so, as a result of the issue of the Initial Consideration Shares, Jeremy Davies and Pearl Jackson will in aggregate acquire a further 3,312,500 Matrix Ordinary Shares, taking the total shareholding of the Davies and Ellert Concert Party and of Pearl Jackson to 6,039,772 Matrix Ordinary Shares representing approximately 68.0 per cent. of the Enlarged Share Capital, assuming that no Matrix Shareholders accept the Offer. A summary of the terms of the Offer is set out below and full details are contained in the Offer Document being sent to Matrix Shareholders today.

As a result of the conversion of the Matrix Convertible Loan Stock, the extraordinary general meeting previously convened for 11.30 a.m. on 30 January 2004 will be adjourned indefinitely as the business which was to be considered at that extraordinary general meeting no longer bears any relevance.

In view of their aggregate size, the Acquisitions constitute a Reverse Takeover (in accordance with the AIM Rules) and are conditional, *inter alia*, on the approval of Matrix Shareholders, which is to be sought at the Extraordinary General Meeting. Also at the Extraordinary General Meeting, the Company will seek Matrix Shareholders' approval to change the Company's name to ADL plc.

The purpose of this document is to provide you with further information on the Proposals and to explain why your Directors believe that the Proposals are in the best interests of the Company and the Matrix Shareholders as a whole. A notice convening the Extraordinary General Meeting is set out at the end of this document.

Background to and reasons for the Acquisitions

In my statement accompanying the interim results for the six months ended 31 March 2003, I confirmed that "your Directors will continue to focus on seeking a buyer for the Company's assets at the appropriate time". In August 2003, the Davies and Ellert Concert Party approached the Board with a proposal to purchase Best Investment's Matrix Convertible Loan Stock and reverse Newsham and Woodland into the Company. The Board received a number of expressions of interest in the Company's assets at a similar or lower value to the Offer but none of the others offered Matrix Shareholders the opportunity to take cash now or to remain as Matrix Shareholders within the Enlarged Group.

The Board believes that the Proposals and the Offer are in the best interests of Matrix Shareholders. The Board also took note of the fact that, for Matrix Shareholders who do not wish to accept the Offer, following completion of the Acquisitions, the Enlarged Group will have greater critical mass, a new executive management team, new £9.75 million banking facilities and a growth strategy. In reaching their decision, the Board took note of the fact that the Davies and Ellert Concert Party would incur an obligation pursuant to Rule 9 of the City Code to make a mandatory cash offer of 40p per Matrix Ordinary Share for the remainder of the Share Capital of the Company that they do not already own. This would give Matrix Shareholders the opportunity to sell their shares at 40p per Matrix Ordinary Share, the price paid today by Jeremy Davies and Richard Ellert to Best Investment and myself for 2,727,272

Matrix Ordinary Shares. Best Investment is a company controlled by John Spiers, a Director of Matrix.

The Board believes the Acquisitions, the new bank facilities and the proposed executive management team of Jeremy Davies, Richard Ellert and Pearl Jackson will significantly improve the prospects for the Company's business, creating a group of 10 care homes with 374 registered beds which represents a logical point from which to expand the Enlarged Group further. The New Board intends to use the new bank facilities to make further acquisitions in the future towards achieving the Company's strategy.

At the Annual General Meeting, Jeremy Davies, Richard Ellert and Pearl Jackson will be proposed for election to the Board as Managing Director, Finance Director and Operations Director respectively. It is proposed that I will become Non-Executive Chairman and John Spiers and Rupert Lywood will resign as Directors of the Company. Since July 2000 Pearl Jackson has been contracted as a consultant to the Company and, during this time, the Company's operational and financial performance has improved.

Information on Matrix Healthcare

The Company was incorporated in January 1990 and in September 1990 raised £661,500 under the Business Expansion Scheme. In February 1996 the Company raised a further £1,539,900 under the Enterprise Investment Scheme and obtained a quotation on AIM in June 1996. Its business is the ownership and management of care homes. It currently owns and operates four care homes with 182 registered beds:

Allambie Court Nursing Home, Nuneaton, is registered for 30 elderly persons with dementia requiring nursing care.

The Knoll Nursing Home, Bradford, is registered for 42 elderly persons requiring nursing care.

Morton Close Nursing Home, Keighley, is registered for 55 elderly persons. The premises comprise Morton Court, with 36 registered beds, and Morton Manor, with 19 registered beds. Morton Manor was closed in 2002 as a result of the changing regulatory environment which rendered the building obsolescent as a frail elderly care home. It is the intention of the Board to sell Morton Manor for residential use.

Nightingale Nursing Home, Bradford, is registered for 55 elderly persons requiring nursing care and it is operated on the basis of 45 beds. On the same site is Nightingale Residential Home, a de-registered facility that provided accommodation for 20 residents until its closure in 2002. The Board intend to reconfigure this property and seek to re-register it for mental care.

A valuation of the Company's care homes is set out in Christie & Co's valuation certificate contained in Part III of this document.

Further information on the Company is contained in the statutory financial statements of the Company for the three years ended 30 September 2003, which are set out in Appendix I to this document. The notice convening an Annual General Meeting of the Company, which will take place immediately after the Extraordinary General Meeting, is enclosed with these financial statements.

Information on Newsham and Woodland

Information on Newsham

Newsham was a dormant company until March 2003, when it purchased Newsham House, Gloucester, a care home with 39 beds registered for elderly persons with dementia requiring nursing care.

Further information on Newsham is set out in Parts III and IV of this document.

Information on Woodland

Woodland was incorporated in March 1994 and its business is the ownership and management of care homes. It currently owns and operates three care homes with 100 registered beds and is the managing partner in two partnerships operating two further care homes with 53 registered beds:

Woodland Court Nursing Home, Torquay, is registered for 39 elderly persons requiring nursing care and is operated on the basis of 35 beds.

Woodland House Nursing Home, Torquay, is registered for 30 elderly persons with dementia requiring nursing care.

Woodland Park Nursing Home, Torquay, is registered for 31 elderly persons requiring nursing care and is operated on the basis of 25 beds.

Jubilee House, Torquay, is operated by Woodland and is registered for 28 elderly persons.

South Garth, Exmouth, is operated by Woodland and is registered for 25 elderly persons and is operated on the basis of 23 beds.

Further information on Woodland is set out in Parts III and V of this document.

Principal terms of the Acquisitions

The Company has conditionally agreed to acquire the entire issued share capital of Newsham for an initial consideration of £750,000 which is to be satisfied by the allotment of 1,875,000 Initial Consideration Shares credited as fully paid and for contingent consideration of £500,000 which would be satisfied by the allotment of 1,250,000 Further Consideration Shares credited as fully paid if planning permission were to be received for the construction of or conversion of existing buildings into five dwellings within two years of Completion. The Newsham Agreement is conditional upon, *inter alia*, the passing of the Resolutions, Admission and the facility agreement with Fortis Bank S.A./N.V. becoming unconditional (save for any condition as to the occurrence of Completion). The Newsham Vendors have given warranties and a tax convenant in respect of Newsham. The Newsham Vendors have undertaken not to be involved in a care home business within Gloucestershire for a period of one year from Completion.

The Company has conditionally agreed to acquire the entire issued share capital of Woodland for consideration of £1,200,000 which is to be satisfied by the payment of £400,000 in cash and by the allotment of 2,000,000 Initial Consideration Shares credited as fully paid. The Woodland Agreement is conditional upon, *inter alia*, the passing of the Resolutions, Admission and the facility agreement with Fortis Bank S.A./N.V. becoming unconditional (save for any condition as to the occurrence of Completion). Jeremy Davies has given warranties and a tax convenant in respect of Woodland. The Woodland Vendors have undertaken not to be involved in a care home business within Devon for a period of one year from Completion.

Further details of the Acquisition Agreements are contained in paragraphs 6.1.1 and 6.1.2 of Part VII of this document.

Lock-in arrangements

On Completion, the New Board and persons connected with them will be interested in an aggregate of 6,129,772 Matrix Ordinary Shares representing approximately 69.0 per cent. of the Enlarged Share Capital. Following the issue of the Further Consideration Shares, the New Board and persons connected with them will be interested in an aggregate of 7,004,772 Matrix Ordinary Shares representing approximately 69.1 per cent. of the Enlarged Share Capital as further enlarged by the issue of the Further Consideration Shares. Details of these shareholdings are set out in paragraph 5.1 of Part VII of this document.

Jeremy Davies and Pearl Jackson have each undertaken not to sell any of the Matrix Ordinary Shares that they will own following Completion as a result of the sale of Newsham and Woodland to Matrix until the first anniversary of Completion, subject to certain limited exceptions, including the acceptance of a recommended general offer for the share capital of the Company made in accordance with the City Code or the signing of an irrevocable undertaking to accept such an offer. These undertakings will be in respect of up to 4,187,500 Matrix Ordinary Shares in aggregate for Jeremy Davies and Pearl Jackson.

Other than as set out above, for a period of one year from Completion, each member of the New Board has undertaken not to sell any Matrix Ordinary Shares held by them or any connected persons except with the prior written consent of Durlacher, such consent not to be unreasonably withheld or delayed.

Management of the Enlarged Group

The New Board recognises that the Enlarged Group, with its 10 care homes, will require a formal operational management structure.

Jeremy Davies, the proposed Managing Director, will be responsible for all day-to-day operational issues but will pay particular attention to the Enlarged Group's strategic issues including the identification of acquisition and development opportunities.

Richard Ellert, the proposed Finance Director, will take responsibility for all financial management and reporting matters, as well as strategic development opportunities. Mark Osborne, Matrix's financial controller and company secretary, will work with and assist Richard Ellert on financial management and reporting matters.

Pearl Jackson, the proposed Operations Director, will take responsibility for operational matters on a home-by-home basis. Pearl Jackson is familiar with the operation of both Matrix's and Woodland's homes as she has acted as a consultant on operational matters at them.

Following Completion, the New Board intends to concentrate on improving the performance of and return on the Enlarged Group's portfolio of care homes. In addition, the New Board will seek to identify and acquire additional care home businesses which will be complementary to the Enlarged Group.

Board

As at the date of this document the Board comprises:

Peter Dewe-Mathews, FCA, aged 59, Chairman. Peter is a chartered accountant with a number of interests in the medical sector. He is currently executive chairman of The Permanent Health Company Limited, a privately owned health insurance provider which he co-founded, a director of Capitol Health Management Corp, a US based healthcare venture capital fund adviser and a director of Star Syringe Limited, a syringe technology licensing company.

John Spiers, aged 53, Director. John is a graduate of Clare College, Cambridge with more than 25 years' experience of investment research. He was an investment analyst with stockbrokers W. Greenwell prior to founding Bestinvest in 1986, where he is chairman and managing director. He is a Fellow of the Securities Institute and a member of the UK Society of Investment Professionals.

Rupert Lywood, aged 45, Director. Rupert is a chartered accountant and a founding director of Matrix Group Limited, a broad based financial services group. In 1987 he co-founded Matrix Securities Limited, which remains the principal operating subsidiary of Matrix Group Limited. He has been instrumental in developing a number of businesses and has particular experience in the health sector.

New Board

On Completion, in addition to Peter Dewe-Mathews, the New Board will comprise:

Jeremy Davies, MRICS, aged 56, Proposed Managing Director. Jeremy is a chartered surveyor who founded his own practice, Davies Knight & Partners, in 1973 which specialised in healthcare properties. In 1993 he co-founded NHP plc as estates director with Richard Ellert.

NHP plc is the UK's only listed property investment group specialising in the purchase and leaseback of care homes. He resigned from NHP plc in November 2001. In 1994, he was a founding director of Woodland, of which he is now chairman.

Richard Ellert, aged 58, Proposed Finance Director. Richard worked for a number of financial institutions from 1965 to 1989 as a fund manager and a corporate finance director. In 1989, he established Sancroft Corporate Services Limited, which specialises in providing advice relating to healthcare and social care businesses. In 1993, he co-founded NHP plc as chief executive with Jeremy Davies from where he resigned in August 2000. Richard is on the editorial board of Community Care Market News.

Pearl Jackson, aged 45, Proposed Operations Director. Pearl is a registered general and psychiatric nurse who from 1988 to 1989 was a nursing homes registration and inspection officer before becoming an area manager for Westminster Healthcare plc. In 1990, she founded her own care home consultancy which currently provides advice to Matrix and Woodland. Pearl is also the owner and director of Solutions (Yorkshire) Limited which owns and operates a care home in Leeds.

At the Company's Annual General Meeting it is intended that John Spiers and Rupert Lywood will resign as directors of the Company and Jeremy Davies, Richard Ellert and Pearl Jackson will be proposed for election as directors of the Company.

Corporate governance

The New Board supports proper standards of corporate governance and, as such, the Company intends to comply, so far as is practicable and appropriate for a company of its size and nature, with the main provisions of the Combined Code.

In line with the Combined Code, the running of the New Board and the executive responsibility for the operation of the Company's business will be separated, with Peter Dewe-Mathews acting as Non-executive Chairman of the New Board and Jeremy Davies acting as Managing Director. It is the intention of the New Board to appoint a further non-executive director in due course.

The New Board will establish an Audit Committee and a Remuneration Committee both comprising Peter Dewe-Mathews. The Audit Committee will meet at least twice a year and the Remuneration Committee as and when necessary.

The Company has adopted formally the principles for dealing in securities for AIM companies set out in Rule 19 of the AIM Rules and will take proper steps to ensure compliance by the New Board.

Admission, settlement and dealings

Application will be made to the London Stock Exchange for the Existing Matrix Ordinary Shares and the Initial Consideration Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings on AIM in the Existing Matrix Ordinary Shares and the Initial Consideration Shares will commence on 12 February 2004.

The Existing Matrix Ordinary Shares settle through CREST and, accordingly, the Initial Consideration Shares will also settle through CREST.

Change of name

A resolution will be proposed at the EGM to change the Company's name to ADL plc. The existing certificates in relation to Existing Matrix Ordinary Shares will remain valid.

Articles of association

A resolution will be proposed at the EGM to adopt new articles of association of the Company. A summary of the main provisions of the proposed new articles of association is set out in paragraph 4 of Part VII of this document.

Dividend policy

Subject to a future capital reorganisation of Matrix Healthcare to eliminate the accrued deficit on its profit and loss account, the New Board intends to pay dividends following Completion dependent upon the future performance of the Enlarged Group.

City Code

Messrs Jeremy Davies and Richard Ellert are as Matrix Shareholders treated for the purposes of the City Code as acting in concert in relation to Matrix. The purchase of 2,727,272 Matrix Ordinary Shares has resulted in the Davies and Ellert Concert Party holding approximately 54.4 per cent. of the Existing Matrix Ordinary Shares.

Under Rule 9 of the City Code when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights, then in either case that person together with the persons acting in concert with him is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him, for shares in the relevant company within the preceding 12 months, for all the remaining equity share capital of the company.

As a result, the Davies and Ellert Concert Party has today made a mandatory cash offer pursuant to Rule 9 of the City Code to acquire the remainder of the Share Capital of the Company that they do not already own. The Offer is 40p in cash per Matrix Ordinary Share which is the highest price paid by them, or any person acting in concert with them, for shares in the Company within the preceding 12 months. No offer is being made for the Matrix Deferred Shares as they are effectively worthless.

If Matrix Shareholders do accept the Offer and Jeremy Davies holds in excess of 50.0 per cent. of the Enlarged Share Capital, those Matrix Shareholders that do not accept the Offer should be aware that he will not be restricted under the Code from purchasing further Matrix Ordinary Shares in addition to his holding. Also the Panel has ruled that the issue of the Further Consideration Shares for the Newsham Acquisition will not require a further Mandatory Offer under the Code.

Current trading and prospects

Operating profits since the year end for the period to 30 November 2003 indicate an improvement on the same period last year, but are not at the levels of the second half of the financial year to 30 September 2003. The Company's annual pay review takes effect in October of each year whereas fee increases normally become effective in April of each year. This tends to result in greater profitability in the second half of each financial year and it is anticipated that this pattern will be replicated in the current financial year.

In line with the industry, the Directors and Proposed Directors believe that the Company should continue to benefit from the current supply and demand situation that has resulted in higher average occupancies and rising weekly fees.

Extraordinary General Meeting

Set out at the end of this document is a notice convening an Extraordinary General Meeting to be held at Gossard House, 7-8 Savile Row, London W1S 3PE at 9.30 a.m. on 11 February 2004, at which the following resolutions will be proposed:

1. an ordinary resolution to approve the Acquisitions;
2. a special resolution, conditional upon and with effect from Admission becoming effective:
    2.1 to change the name of the Company to ADL plc;

2.2 to increase the authorised share capital of the Company from £2,575,000 to £3,000,000 by the creation of an additional 8,500,000 Matrix Ordinary Shares;

2.3 to grant authority to the Directors, pursuant to section 80 of the Act, to allot relevant securities up to a nominal amount of £499,465.3;

2.4 to disapply the statutory pre-emption rights set out in section 89 of the Act to enable the Directors, *inter alia*, to issue Matrix Ordinary Shares in connection with the Acquisitions, a future rights issue or other pre-emptive offer by the Company and otherwise the allotment of up to approximately 17 per cent. of the Enlarged Share Capital of the Company; and

2.5 to adopt new articles of association.

Following Completion, the Company will have authorised but unissued ordinary share capital comprising 6,114,306 Matrix Ordinary Shares. This comprises the 1,250,000 Further Consideration Shares and the balance of the authorised but unissued ordinary share capital of 4,864,306 unissued Matrix Ordinary Shares which will represent approximately 55 per cent. of the Enlarged Share Capital.

Annual General Meeting

The notice convening the Annual General Meeting of the Company to be held at Gossard House, 7-8 Savile Row, London W1S 3PE at 9.40 a.m. on 11 February 2004 (or such later time as the Extraordinary General Meeting of the Company convened for the same date shall have concluded or been adjourned) is set out in the audited financial statements of the Company, which are attached as Appendix I. In addition to the ordinary business relating to the adoption of the accounts, re-election of directors and auditors, ordinary resolutions will be proposed to appoint Jeremy Davies, Richard Ellert and Pearl Jackson as directors of the Company.

Action to be taken

Matrix Shareholders will find enclosed with this document a blue form of proxy and a white form of proxy for use at the Extraordinary General Meeting and the Annual General Meeting respectively. **Whether or not you intend to be present at the meetings, you are requested to complete, sign and return your forms of proxy to the Company's registrars, Capita Registrars, as soon as possible but, in any event, so as to arrive no later than 48 hours prior to the relevant meeting.** The completion and return of a form of proxy will not preclude you from attending the relevant meeting and voting in person should you wish to do so.

Taxation

Your attention is drawn to paragraph 9 of Part VII of this document, which provides a summary of UK taxation in respect of the holders of Matrix Ordinary Shares.

Further information

Your attention is drawn to the further information set out in Parts II to VIII of this document and in Appendix I to this document. Matrix Shareholders are advised to read the whole of this document and not rely solely on the summary information presented in this letter.

Recommendation

The Directors, having been advised by Durlacher, believe Resolution 1 relating to the approval of the Acquisitions to be fair and reasonable and Resolution 2 implementing the Proposals to be in the best interests of the Company and Matrix Shareholders as a whole. In providing such advice to the Company, Durlacher has taken into consideration the Directors' commercial assessment of the Acquisitions and the Proposals.

Accordingly, your Directors unanimously recommend Matrix Shareholders to vote in favour of the Resolutions, as they and their connected persons have undertaken to do in respect of their

beneficial shareholdings amounting to 432,901 Matrix Ordinary Shares (representing approximately 8.6 per cent. of the Existing Matrix Ordinary Shares).

In addition, irrevocable undertakings to vote in favour of the Resolutions have been received from the Davies and Ellert Concert Party in respect of their beneficial shareholdings amounting to 2,727,272 Matrix Ordinary Shares (representing approximately 54.4 per cent. of the Existing Matrix Ordinary Shares).

As a result, irrevocable undertakings to vote in favour of the Resolutions have been received in respect of a total of 3,160,173 Matrix Ordinary Shares (representing approximately 63.1 per cent. of the Existing Matrix Ordinary Shares).

Yours faithfully

Peter Dewe-Mathews
Chairman

PART II

RISK FACTORS

The Board believes that an investment in Matrix Ordinary Shares may be subject to a number of risks. Investors and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list. Investors and prospective investors should consider carefully whether investment in Matrix Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

Future raising of additional funds

The Enlarged Group's capital requirements will depend on numerous factors, including its ability to operate successfully its business model. The Enlarged Group cannot predict accurately the timing and amount of its capital requirements. If its capital requirements vary materially from its plans, the Enlarged Group may require further financing in addition to the debt facilities raised with Fortis Bank S.A./N.V. sooner than anticipated. Market conditions may prevent additional funds from being raised which could restrict the development of the Enlarged Group. The Board cannot guarantee that the business strategy of the Enlarged Group will lead to profitability or that it will generate sufficient revenues to cover its costs.

Successful integration of Newsham, Woodland and any future acquisitions

The success of the Company will depend heavily on the expertise and ability of the New Board to integrate Newsham, Woodland and any other businesses acquired in the future into the Enlarged Group.

Liquidity of Matrix Ordinary Shares

The future success of AIM and liquidity in the market for Matrix Ordinary Shares cannot be guaranteed. In particular, the market for Matrix Ordinary Shares may be, or may become, relatively illiquid (particularly given the lock-in arrangements described in Part I of this document) and, therefore, Matrix Ordinary Shares may be or may become difficult to sell. Admission to AIM does not imply that there will always be a liquid market for Matrix Ordinary Shares.

Stock market perception

The market perception of securities related to the care home and/or real estate sectors may change and, accordingly, the value of Matrix Ordinary Shares may fluctuate or decline.

Staff availability

The successful operation of a care home requires staff of a suitable quality and ability. The population of competent staff is finite and there can be no guarantee that the Enlarged Group will be able to attract and retain a suitable complement of staff who are willing to give 24 hour care.

Regulatory risk

A care home may be closed temporarily or permanently or prevented from taking in new patients or be required to incur significant capital expenditure if it fails to meet or exceed the minimum standards laid down from time to time by the National Care Standards Commission.

Funding risk

There is a risk that local authorities in certain areas may fail to manage their budgets adequately resulting in an inability to fund or place new residents in care homes in their areas.

PART III

CHRISTIE & CO'S VALUATION CERTIFICATE OF THE ENLARGED GROUP'S CARE HOMES

The Directors
Matrix Healthcare Plc
Gossard House
7-8 Savile Row
London W1S 3PE

The Directors
Durlacher Limited
4 Chiswell Street
London EC1Y 4UP

19 January 2004

Dear Sirs,

Appraisal of a Portfolio of 10 Care Homes as at January 2004

Valuation Certificate

In accordance with your written instructions we have provided on your behalf the Market Value of 10 properties (the "Portfolio" and each a "Property") as identified to us throughout England, of which eight have been appraised on a freehold basis and two subject to existing management contracts. Details of each individual Property are to be found within our full report and valuation. This letter is an extract taken from our full report and valuation dated 19 January 2004 to which the following valuation advice is subject. Matrix shareholders are advised to read the full text of our report which will be available for inspection at the offices of DLA, 3 Noble Street, London EC2V 7EE for a period of 1 month from the date of this letter and at Matrix Healthcare's Extraordinary General Meeting to be held at 9.30 am on 11 February 2004 at Gossard House, 7-8 Savile Row, London W1S 3PE.

Market Value is defined in the RICS Appraisal and Valuation Standards 5th Edition (the "Red Book") published by the Royal Institution of Chartered Surveyors as:

> "The estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation is provided for balance sheet purposes and should be read in conjunction with our full report and valuation, which contains relevant additional information plus terms and conditions of the valuation. Our valuation has been prepared in accordance with the Red Book. We consider the Market Value of the ten Properties as defined in our full report and valuation, on a freehold or management contract basis, as at 19 January 2004 to be in the order of:

Four properties within Matrix Healthcare (prior to the Acquisitions)	£4,220,000
Five properties within Woodland	£3,600,000
One property within Newsham	£1,500,000
Land at Newsham, assumes planning permission for development is granted	£500,000
Total	**£9,820,000**

Yours faithfully

Martin Robb BSc MRICS
Director

For and on behalf of
Christie & Co.

PART IV

ACCOUNTANTS' REPORT ON NEWSHAM

Deloitte.

Deloitte & Touche LLP
1 City Square
Leeds LS1 2AL

The Directors and Proposed Directors
Matrix Healthcare plc
Gossard House
7-8 Savile Row
London
W1S 3PE

The Directors
Durlacher Limited
4 Chiswell Street
London
EC1Y 4UP

19 January 2004

Dear Sirs

Newsham House Limited ("Newsham")

We report on the financial information of Newsham set out below. This financial information has been prepared for inclusion in the Circular dated 19 January 2004 relating to the acquisition of Newsham ("the Investment Circular") by Matrix Healthcare plc ("Matrix").

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based in part on the unaudited financial statements of Newsham for the two years ended 30 June 2002 and the audited financial statements of Newsham for the year ended 30 June 2003, to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of Newsham who approved their issue.

The Directors and Proposed Directors of Matrix are responsible for the contents of the Investment Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by us relating to the audit of the financial statements for the year ended 30 June 2003. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Investment Circular, a true and fair view of the state of affairs of Newsham as at the dates stated and of its profits and recognised gains and losses for the periods then ended.

We consent to the inclusion in the Investment Circular of this report and accept responsibility for this report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Profit and Loss Accounts

		Year ended 30 June		
		2001	*2002*	*2003*
		12months	*12months*	*12months*
	Notes	£	£	£
Turnover	2	—	—	282,617
Cost of sales		—	—	(216,999)
Gross profit		—	—	65,618
Administrative expenses		—	—	(22,598)
Operating profit		—	—	43,020
Bank interest paid		—	—	(25,439)
Profit on ordinary activities before taxation	4	—	—	17,581
Tax on profit on ordinary activities before taxation	5	—	—	(3,973)
Profit after tax and retained for the year	13	—	—	13,608

There were no recognised gains and losses in each of the years other than the result for that year.

The turnover and profit of Newsham during 2003 arose from acquisitions.

Balance Sheets

		At 30 June		
		2001	*2002*	*2003*
	Notes	*£*	*£*	*£*
Fixed Assets				
Intangible assets	6	—	—	55,751
Tangible assets	7	—	—	800,727
		—	—	856,478
Current Assets				
Debtors	8	2	2	27,271
Cash at bank and in hand		—	—	58,613
		2	2	85,884
Creditors: Amounts Falling Due Within One Year	9	—	—	(397,606)
Net Current Assets/(Liabilities)		2	2	(311,722)
Total Assets Less Current Liabilities		2	2	544,756
Creditors: Amounts Falling Due After More Than One Year	10	—	—	(530,778)
Provisions for Liabilities and Charges	11	—	—	(368)
Net assets		2	2	13,610
Capital and Reserves				
Called up share capital	12	2	2	2
Profit and loss account	13	—	—	13,608
Equity shareholders' funds	14	2	2	13,610

Notes to the Financial Information

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention in accordance with the reporting requirements of the Companies Act 1985, together with applicable United Kingdom accounting standards.

Under the provisions of Financial Reporting Standard No. 1 (revised), Newsham has not prepared a cash flow statement because it is entitled to the exemptions available under sections 246 to 249 of the Companies Act 1985 for small companies when filling financial statements with the Registrar of Companies.

Newsham was dormant throughout the 24 months ended 30 June 2002 and consequently there was no requirement for the financial statements to be subject to audit. The financial information for the 24 months ended 30 June 2002 is based on the unaudited statutory financial statements for the two years concerned to which no adjustments were considered necessary.

Tangible fixed assets

Tangible fixed assets are shown at cost or previously revalued amount, less accumulated depreciation and any provision for impairment.

Depreciation is provided at annual rates calculated to write-off the cost or revalued amount less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Freehold and long leasehold buildings	2%
Fixtures, fittings and equipment	20%

Freehold land is not depreciated.

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its useful economic life up to a maximum of twenty years. Provision is made for any impairment.

Turnover

Turnover represents the invoiced value of sales net of allowances in the normal course of business.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between Newsham's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. Segment information

All turnover arose in the UK from Newsham's principal activity.

3. Information regarding directors and employees

	Year ended 30 June		
	2001	*2002*	*2003*
	Number	*Number*	*Number*
Average number of persons employed			
Nursing staff	—	—	33
Administration	—	—	3
	—	—	36

Staff costs during the year (including directors)

	2001	*2002*	*2003*
	£	£	£
Wages and salaries	—	—	146,398
Social security costs	—	—	14,245
	—	—	160,643

Directors' remuneration

The employee costs shown above include the following remuneration in respect of directors of Newsham:

	2001	*2002*	*2003*
	£	£	£
Emoluments	—	—	21,802
	—	—	21,802

Highest paid director

The above amounts for remuneration include emoluments of £17,640 in respect of the highest paid director (2002: £nil).

4. Profit on ordinary activities before taxation

This is stated after charging:

	Year ended 30 June		
	2001	*2002*	*2003*
	£	£	£
Amortisation of owned intangible fixed assets	—	—	945
Depreciation of owned tangible fixed assets	—	—	3,460
Auditors remuneration — audit fee	—	—	6,000
Staff costs (note 3)	—	—	160,643

5. Tax on profit on ordinary activities

	Year ended 30 June		
	2001	*2002*	*2003*
	£	£	£
The tax charge comprises:			
Current tax			
UK corporation tax	—	—	3,605
Deferred tax			
Origination and reversal of timing differences	—	—	368
	—	—	3,973

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2001	*2002*	*2003*
	£	£	£
Profit on ordinary activities before tax	—	—	17,581
Tax at 19% thereon:	—	—	3,340
Effects of:			
Expenses not deducible for tax purposes and other permanent items	—	—	633
Capital allowances in excess of depreciation	—	—	(368)
Current tax charge for the year	—	—	3,605

6. Intangible fixed assets

	Goodwill
	£
Cost	
At 1 May 2001	—
At 30 June 2002	—
Additions	56,696
At 30 June 2003	56,696
Amortisation	
At 1 May 2001	—
Charge for the year	—
At 30 June 2002	—
Charge for the year	945
At 30 June 2003	945
Net book value	
At 30 June 2001	—
At 30 June 2002	—
At 30 June 2003	55,751

7. Tangible fixed assets

	Land and buildings £	Equipment £	Total £
Cost			
At 1 May 2001	—	—	—
At 30 June 2002	—	—	—
Additions	800,000	4,187	804,187
At 30 June 2003	800,000	4,187	804,187
Depreciation			
At 1 May 2001	—	—	—
Charge for the year	—	—	—
At 30 June 2002	—	—	—
Charge for the year	3,333	127	3,460
At 30 June 2003	3,333	127	3,460
Net book value			
At 30 June 2001	—	—	—
At 30 June 2002	—	—	—
At 30 June 2003	796,667	4,060	800,727

Freehold land and buildings include land at cost of £300,000 (2002: £nil), that is not subject to depreciation.

On 1 March 2003 the business carried out by C. W. Peachey and M. Toombs was acquired by Newsham House Limited. The fair value of the assets transferred was £800,000.

The acquisition is significant to Newsham House Ltd. It is not possible to disclose figures for the prior year as the financial records of the business are not separable from those of other businesses.

	Book value £	Revaluation £	Provisional fair value £
Tangible assets	800,000	—	800,000
Total assets	800,000	—	800,000
Goodwill			56,696
			856,696
Satisfied by			
Cash including cost of acquisition			856,696

8. Debtors

	Year ended 30 June 2001	2002	2003
	£	£	£
Trade debtors	—	—	20,450
Prepayments and accrued income	—	—	6,821
Called up share capital not paid	2	2	—
	2	2	27,271

9. Creditors: amounts falling due within one year

	Year ended 30 June 2001	2002	2003
	£	£	£
Bank loan	—	—	31,222
Trade creditors	—	—	14,522
Corporation tax	—	—	3,605
Other tax and social security costs	—	—	21,724
Other creditors	—	—	41,458
Accruals and deferred income	—	—	12,739
Other loans	—	—	272,336
	—	—	397,606

10. Creditors: amounts falling due after more than one year

	Year ended 30 June 2001	2002	2003
	£	£	£
Bank loans	—	—	530,778
Amounts falling due:			
Between 1-2 years			37,464
Between 2-5 years			112,392
After 5 years			380,922
	—	—	530,778

£562,000 (2002: £nil) of the above bank loans, split between current and long term liabilities, are secured on the assets. The term of the loan is 15 years from the first drawdown. The interest rate is 1.5 per cent. over the bank's Base Rate. The remaining balances are unsecured.

11. Provisions for liabilities and charges

Deferred tax

	2003
	£
As at 1 July 2001	—
Charge to profit and loss account	—
As at 30 June 2002	—
Charge to profit and loss account (note 5)	368
As at 30 June 2003	368

There are no unprovided amounts of deferred tax.

12. Called-up share capital

	Year ended 30 June 2001 £	2002 £	2003 £
Authorised:			
Ordinary shares of £1 each	2	2	2

	2001 *No.*	*2002* *No.*	*2003* *No.*	*2001* *£*	*2002* *£*	*2003* *£*
Called-up, allotted and fully paid						
Ordinary shares of £1 each	2	2	2	2	2	2

13. Reserves

	Year ended 30 June *2001* *£*	*2002* *£*	*2003* *£*
Profit and loss account			
Beginning of year	—	—	-
Retained profit for the year	—	—	13,608
End of year	—	—	13,608

14. Reconciliation of movements in equity shareholders' funds

	Year ended 30 June *2001* *£*	*2002* *£*	*2003* *£*
Profit for the financial year	—	—	13,608
Net increase in equity shareholders' funds	—	—	13,608
Opening equity shareholders' funds	2	2	2
Closing equity shareholders' funds	2	2	13,610

15. Related party disclosures

During the year ended 30 June 2003, W.J. Davies has loaned £80,000 to Newsham House Limited and a company in which W.J. Davies has an interest has loaned £192,336 to Newsham House Limited. Both loans have a 7.5 per cent. interest rate and they are expected to be repaid within a year.

16. Controlling party

Mr A. Kilmartin is a director and, at the balance sheet date, was the sole shareholder of Newsham House Limited.

On 28 November 2003 the share capital of Newsham was increased to 20 ordinary £1 shares. The interests of the directors and related parties who held office at the date of approval of these financial statements (being 17 December 2003) in the share capital of Newsham were as follows:

Ordinary £1 shares

	Number of shares
W.J. Davies	14
A.R. Kilmartin	2
D.A. Youds	4
	20

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

PART V

ACCOUNTANTS' REPORT ON WOODLAND

Deloitte.

Deloitte & Touche LLP
1 City Square
Leeds LS1 2AL

The Directors and Proposed Directors
Matrix Healthcare plc
Gossard House
7-8 Savile Row
London
W1S 3PE

The Directors
Durlacher Limited
4 Chiswell Street
London
EC1Y 4UP

19 January 2004

Dear Sirs

Woodland Healthcare Limited ("Woodland") and its subsidiary ("the Woodland Group")

We report on the financial information of the Woodland Group set out below. This financial information has been prepared for inclusion in the Circular dated 19 January 2004 relating to the acquisition of Woodland ("the Investment Circular") by Matrix Healthcare plc ("Matrix").

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited consolidated financial statements of the Woodland Group for the year ended 30 April 2001, the 14 months ended 30 June 2002 and the year ended 30 June 2003, after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of Woodland who approved their issue.

The Directors and Proposed Directors of Matrix are responsible for the contents of the Investment Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Investment Circular, a true and fair view of the state of affairs of the Woodland Group as at the dates stated and of its losses, cash flows and recognised gains and losses for the periods then ended.

We consent to the inclusion in the Investment Circular of this report and accept responsibility for this report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Consolidated Profit and Loss Accounts

	Notes	*12 months to 30 April 2001* £	*14 months to 30 June 2002* £	*12 months to 30 June 2003* £
Group turnover	2	1,520,323	1,859,602	1,791,304
Cost of sales		(1,067,569)	(1,368,850)	(1,319,418)
Gross profit		452,754	490,752	471,886
Administrative expenses		(347,583)	(478,538)	(385,955)
Other operating income		54,989	54,541	55,235
Operating profit	3	160,160	66,755	141,166
Interest received		2,360	1,259	324
Interest payable	5	(286,089)	(287,944)	(192,987)
Loss on ordinary activities before taxation		(123,569)	(219,930)	(51,497)
Tax on loss for the period	6	—	—	—
Retained loss for the financial period	15	(123,569)	(219,930)	(51,497)

Continuing operations

None of the Woodland Group's activities were acquired or discontinued during the above three financial periods.

Statement of total recognised gains and losses

The Woodland Group has no recognised gains or losses other than the loss shown above in any of the three financial periods.

Consolidated Balance Sheets

	Notes	At 30 April 2001 £	At 30 June 2002 £	At 30 June 2003 £
Fixed Assets				
Intangible assets	7	12,788	8,276	4,014
Tangible assets	8	2,715,512	2,618,361	2,545,238
		2,728,300	2,626,637	2,549,252
Current Assets				
Stocks	10	3,000	3,000	3,000
Debtors	11	172,182	153,776	189,836
Cash at bank and in hand		57,879	43,038	78,010
		233,061	199,814	270,846
Creditors: Amounts Falling Due Within One Year	12	(2,415,302)	(2,504,664)	(2,553,303)
Net Current Liabilities		(2,182,241)	(2,304,850)	(2,282,456)
Total Assets Less Current Liabilities		546,059	321,787	266,796
Creditors: Amounts Falling Due After More Than One Year	13	(1,060,480)	(1,056,138)	(1,052,644)
Net liabilities		(514,421)	(734,351)	(785,848)
Capital and Reserves				
Called up share capital	14	3,000	3,000	3,000
Profit and loss account	15	(517,421)	(737,351)	(788,848)
Equity shareholders' deficit	16	(514,421)	(734,351)	(785,848)

Consolidated Cash Flow Statements

	12 months to 30 April 2001	*14 months to 30 June 2002*	*12 months to 30 June 2003*
	£	£	£
Net cash inflow from operating activities	214,287	175,570	131,058
Interest received	2,360	1,259	324
Interest paid	(194,957)	(191,670)	(87,723)
Taxation	—	—	—
Purchase of tangible fixed assets	(13,955)	—	(8,687)
Net increase/(decrease) in cash	7,735	(14,841)	34,972

Reconciliation of operating profit to net cash inflow from operating activities

	12 months to 30 April 2001	*14 months to 30 June 2002*	*12 months to 30 June 2003*
	£	£	£
Operating profit	160,160	66,755	142,119
Depreciation charges	85,992	97,151	81,809
Amortisation of goodwill	4,262	4,512	4,262
(Increase)/decrease in debtors	(68,096)	18,406	(36,060)
Increase/(decrease) in creditors	31,969	(11,254)	61,072)
Net cash inflow from operating activities	214,287	175,570	131,058

Analysis of Net Debt

	At 1 May 2000	*Cash Flow*	*At 30 April 2001*	*Cash Flow*	*At 30 June 2002*	*Cash Flow*	*At 30 June 2003*
	£	£	£	£	£	£	£
Cash in hand, at bank	50,144	7,735	57,879	(14,841)	43,038	34,972	78,010
Debt due after 1 year	(1,052,644)	—	(1,052,644)	—	(1,052,644)	—	(1,052,644)
Debt due within 1 year	(2,100,000)	—	(2,100,000)	—	(2,100,000)	(11,179)	(2,111,179)
Finance leases	(9,312)	(1,800)	(11,112)	4,342	(6,770)	6,770	—
Net Debt	(3,111,812)	5,935	(3,105,877)	(10,499)	(3,116,376)	30,563	(3,085,813)

Notes to the Financial Information

1. Accounting Policies

The financial information set out in this report has been prepared under the historical cost convention and in accordance with applicable accounting standards generally accepted in the United Kingdom.

Basis of consolidation

The consolidated financial information incorporate the accounts of Woodland and all Group undertakings. These are adjusted where appropriate to conform to Group accounting policies.

Goodwill

Goodwill is the difference between the amounts paid on the acquisition of a business and the aggregate fair value of its separate net assets.

Goodwill is written off over ten years.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land	Nil
Freehold buildings	2% straight line
Home fixtures and fittings	10% straight line
Motor vehicles	25% straight line
Equipment	25% straight line

Stocks

Stock is valued at the lower of cost and net realisable value.

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation.

Assets and liabilities are calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse, and discounted to reflect the time value of money using rates based on the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with similar maturity dates.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to Woodland, are capitalised in the balance sheet and depreciated over their useful economic lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rental paid under operating leases are charged to income over a straight-line basis over the lease term.

2. Turnover

Turnover represents the invoiced value of services supplied by the Woodland Group during the year.

3. Operating Profit

This is stated after charging:

	12 months to 30 April 2001	*14 months to 30 June 2002*	*12 months to 30 June 2003*
	£	£	£
Depreciation of owned fixed assets	79,139	90,679	78,040
Depreciation of assets held under finance lease and hire purchase contracts	6,853	6,472	3,769
Amortisation of goodwill	4,262	4,512	4,262
Directors' remuneration paid in subsidiary company	32,433	38,783	33,742
Operating lease rentals- plant and machinery	10,449	19,529	11,515
Auditors remuneration	4,450	5,700	5,700

4. Staff Costs

	12 months to 30 April 2001	*14 months to 30 June 2002*	*12 months to 30 June 2003*
	Number	*Number*	*Number*
Average number of employees during the period	115	115	86

Staff costs during the periods (including directors)	£	£	£
Wages and salaries	837,433	975,556	867,269
Social security costs	51,921	61,460	57,240
	889,354	1,037,016	924,509

5. Interest Payable

	12 months to 30 April 2001	*14 months to 30 June 2002*	*12 months to 30 June 2003*
	£	£	£
Bank interest	194,957	191,670	87,723
Other interest	91,132	96,274	105,264
	286,089	287,944	192,987

6. Taxation

	12 months to 30 April 2001	*14 months to 30 June 2002*	*12 months to 30 June 2003*
	£	£	£
Current tax			
UK corporation tax	—	—	—

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	12 months to 30 April 2001 £	*14 months to 30 June 2002* £	*12 months to 30 June 2003* £
Loss on ordinary activities before taxation	(123,569)	(219,930)	(51,497)
Tax at 20%/20%/19% thereon	(24,714)	(43,986)	(9,784)
Effects of:			
Expenses not deductible for tax purposes	5,269	11,463	9,334
Depreciation in excess of capital allowances	2,560	7,342	2,152
Tax losses not utilised	16,885	25,181	(1,702)
Current tax charge for the period	—	—	—

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses, depreciation in excess of capital allowances and other short term timing differences. The amount of the asset not recognised is as follows:

	12 months to 30 April 2001 £	*14 months to 30 June 2002* £	*12 months to 30 June 2003* £
Deferred tax asset	16,512	48,683	45,468

7. Intangible Fixed Assets

Goodwill:

	£
Cost	
At 1 May 2000	42,622
At 30 April 2001	42,622
At 30 June 2002	42,622
At 30 June 2003	42,622
Amortisation	
At 1 May 2000	25,572
Charge for the period	4,262
At 30 April 2001	29,834
Charge for the period	4,512
At 30 June 2002	34,346
Charge for the period	4,262
At 30 June 2003	38,608
Net book value	
At 30 April 2001	12,788
At 30 June 2002	8,276
At 30 June 2003	4,014

Goodwill is being written off in equal annual instalments over its estimated economic life of 10 years.

8. Tangible Fixed Assets

	Land and buildings £	*Home, fixtures and fittings* £	*Motor vehicles* £	*Equipment* £	*Total* £
Cost					
At 1 May 2000	2,956,388	275,974	20,913	10,742	3,264,017
Additions	—	5,803	6,500	1,652	13,955
At 30 April 2001	2,956,388	281,777	27,413	12,394	3,277,972
At 30 June 2002	2,956,388	281,777	27,413	12,394	3,277,972
Additions	—	—	—	8,687	8,687
Disposals	—	—	(7,313)	—	(7,313)
At 30 June 2003	2,956,388	281,777	20,100	21,081	3,279,346
Depreciation					
At 1 May 2000	298,830	159,764	8,559	9,315	476,468
Charge for the period	49,128	28,178	6,853	1,833	85,992
At 30 April 2001	347,958	187,942	15,412	11,148	562,460
Charge for the period	57,316	32,874	6,472	489	97,151
At 30 June 2002	405,274	220,816	21,884	11,637	659,611
Charge for the period	49,128	28,178	3,769	734	81,809
Disposals	—	—	(7,312)	—	(7,312)
At 30 June 2003	454,402	248,994	18,341	12,371	734,108
Net book value					
At 1 May 2001	2,608,430	93,835	12,001	1,246	2,715,512
At 30 June 2002	2,551,114	60,961	5,529	757	2,618,361
At 30 June 2003	2,501,986	32,783	1,759	8,710	2,545,238

	2001 £	*2002* £	*2003* £
Net book value of plant and machinery included above held under finance leases and hire purchase contracts	12,001	5,529	1,759

9. Fixed Asset Investments

Woodland holds 20 per cent. or more of the share capital of the following companies:

Company	*Country of registration or incorporation*	*Shares held class*	*%*
Woodland Nursing Homes Limited	England and Wales	Ordinary	100

The principal activity of Woodland is the provision of private nursing home facilities within the United Kingdom.

10. Stocks

	At 30 April 2001 £	At 30 June 2002 £	At 30 June 2003 £
Consumables	3,000	3,000	3,000

11. Debtors

	At 30 April 2001 £	At 30 June 2002 £	At 30 June 2003 £
Trade debtors	136,452	115,375	108,989
Amounts owed by related undertakings	—	20,644	69,003
Prepayments and accrued income	20,395	2,309	11,845
Other debtors	15,335	15,448	—
	172,182	153,776	189,837

12. Creditors: amounts falling due after more than one year

	At 30 April 2001 £	At 30 June 2002 £	At 30 June 2003 £
Secured bank loan	2,100,000	2,100,000	2,111,179
Obligations under finance leases and hire purchase contracts	3,276	3,276	—
Trade creditors	35,159	72,166	88,816
Other tax and social security costs	9,969	49,026	15,895
Accruals and deferred income	244,398	257,454	311,033
Dividend payable	22,500	22,500	22,500
Other creditors	—	242	3,880
	2,415,302	2,504,664	2,553,303

The bank loan is secured as a first charge on the Woodland Group's freehold properties.

13. Creditors: amounts falling due after more than one year

	At 30 April 2001 £	At 30 June 2002 £	At 30 June 2003 £
Subordinated loan	1,052,644	1,052,644	1,052,644
Obligations under finance leases and hire purchase contracts	7,836	3,494	—
	1,060,480	1,056,138	1,052,644

Subordinated loan represents 10 per cent. redeemable unsecured loan stock 1994–2010. The loan stock is redeemable by Woodland at par at any time.

In the event that Woodland fails to pay interest for a period of more than sixteen months then the stockholder shall be entitled to convert the stock held into ordinary shares at the rate of one ordinary share for every £1 of loan stock. The ordinary shares allotted and issued as above will rank *pari passu* with the ordinary shares in issue.

14. Share Capital

	At 30 April 2001	*At 30 June 2002*	*At 30 June 2003*
	£	£	£
Authorised:			
Ordinary shares of £1 each	1,500	1,500	1,500
Priority shares of £1 each	1,500	1,500	1,500
	3,000	3,000	3,000

	2001	*2002*	*2003*	*2001*	*2002*	*2003*
	No.	*No.*	*No.*	£	£	£
Allotted, called-up and fully paid	1,500	1,500	1,500	1,500	1,500	1,500
Priority ordinary shares	1,500	1,500	1,500	1,500	1,500	1,500
				3,000	3,000	3,000

Rights of Shares

The Priority Shares are entitled to a priority dividend agreed by the directors (maximum £60,000) before the payment of any other dividend.

In all other respects the Ordinary Shares and the Priority Shares rank *pari passu*.

15. Profit and Loss Account

	12 months to 30 April 2001	*14 months to 30 June 2002*	*12 months to 30 June 2003*
	£	£	£
Beginning of period	(393,852)	(517,421)	(737,351)
Retained loss for the period	(123,569)	(219,930)	(51,497)
End of period	(517,421)	(737,351)	(788,848)

16. Reconciliation of Movements in Equity Shareholders' Deficit

	12 months to 30 April 2001	*14 months to 30 June 2002*	*12 months to 30 June 2003*
	£	£	£
Loss for the period	(123,569)	(219,930)	(51,497)
Net decrease in equity shareholders' deficit	(123,569)	(219,930)	(51,497)
Opening equity shareholders' deficit	(390,852)	(514,421)	(734,351)
Closing equity shareholders' deficit	(514,421)	(734,351)	(785,848)

17. Post balance sheet events

On 31 July 2003, the debt due to the Woodland's bankers of £2,111,179 was redeemed and replaced with a new longer term facility of £1,250,000, with the remainder of the loan being assigned to Woodland Nominees Limited and ceasing to be payable by Woodland.

On 31 July 2003, Woodland Nursing Homes Limited made an unsecured interest free loan of £57,500 to Woodland Nominees Limited.

On 31 July 2003, Woodland Nursing Homes Limited hived its assets up to its parent company, Woodland Healthcare Limited. Woodland Nursing Homes Limited will become a dormant company.

18. Other financial commitments

At the year end Woodland had annual commitments under non-cancellable operating leases as set out below:

	At 30 April 2001	*At 30 June 2002*	*At 30 June 2003*
	£	*£*	*£*
Operating leases which expire:			
Within one year	3,276	3,276	3,276
Within two to five years	8,545	5,269	9,828
	11,821	8,545	13,104

19. Related parties

Woodland has a partnership agreement with South Garth Residential Care Home to manage their nursing home on behalf of the owners for a profit share in accordance with the partnership agreement. The income for the year amounts to £40,235 (2002: £32,272, 2001: £39,989). and the amount due from the partnership at 30 June 2003 was £37,132 (2002: £8,148, 2001: £nil).

Woodland's subsidiary company, Woodland Nursing Homes Limited has a similar management agreement with Jubilee House Residential Care Partnership. The management fee was £15,000 (2002: £22,269, 2001: £15,000) and the amount due from the partnership at 30 June 2003 was £31,871 (2002: £12,496, 2001: £nil).

In accordance with FRS8 no details are shown of related party transactions where the controlling company holds more than 90 per cent. of the voting rights.

20. Transactions with Directors

The directors, W. J. Davies and D. C. King, have holdings of £150,000 and £120,000 respectively of subordinated loan stock in Woodland. No interest on this loan stock was paid during each of the periods.

21. Auditors

The auditor during each of the three periods was Michael J. Lindsey.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited pro forma statement of net assets of the Enlarged Group has been prepared for illustrative purposes only on the basis of the assumptions set out in the notes below to reflect the proposed reverse takeover of Matrix Healthcare plc as if it had been completed on 30 September 2003.

The financial statements of Matrix for the year ended 30 September 2003 and Woodland and Newsham for the year ended 30 June 2003 will be delivered to the Registrar of Companies in due course.

Because of its nature, the unaudited pro forma statement of net assets may not give a true picture of the financial position of the Enlarged Group.

Pro forma statement of net assets as at 30 September 2003

		Adjustments			*Pro forma Enlarged Group*
	Matrix[1]	*Woodland*[2]	*Newsham*[3]	*Other*[4]	
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Fixed assets					
Intangible assets	—	4	56	1,155	1,215
Tangible assets	4,000	2,545	801	2,474	9,820
	4,000	2,549	857	3,629	11,035
Current assets					
Stocks	6	3	—	—	9
Debtors	137	190	27	—	354
Cash at bank and in hand	1	78	59	369	507
	144	271	86	369	870
Creditors: amounts falling due within one year	(1,791)	(2,553)	(398)	2,875	(1,867)
Net current assets/(liabilities)	(1,647)	(2,282)	(312)	3,244	(997)
Total assets less current liabilities	2,353	267	545	6,873	10,038
Creditors: amounts falling due after more than one year	(1,112)	(1,053)	(531)	(2,934)	(5,630)
Provisions for liabilities and charges	(25)	—	—	—	(25)
Net assets/(liabilities)	1,216	(786)	14	3,939	4,383

1. The consolidated net assets of Matrix have been extracted, without material adjustment, from Matrix's audited consolidated financial statements for the year ended 30 September 2003.
2. The net assets of Woodland at 30 June 2003 have been extracted, without material adjustment, from the Accountants' Report as set out in Part V of this document.
3. The net assets of Newsham at 30 June 2003 have been extracted, without material adjustment, from the Accountants' Report as set out in Part IV of this document.
4. Adjustments comprise:

   Intangible assets – the goodwill arising on the transaction reflecting the value of shares to be issued as reflected in Part I of this document including the impact of the shares to be issued in respect of the Newsham Acquisition relating to the surplus land for which planning permission is being sought.

   Tangible assets – the revaluation of the properties at January 2004 as set out in Part III of this document including the value ascribed to the surplus land at Newsham for which planning permission is being sought.

   Cash at bank and in hand – the impact of the new facilities of £769,000 offset by the cash consideration in respect of the Woodland Acquisition of £400,000.

   Creditors: amounts falling due within one year – repayment of existing debt in Matrix (£1,497,000), Woodland (£1,261,000) and Newsham (£304,000) and the waiver of outstanding interest obligations on certain debt within Woodland (£293,000) offset by transaction costs of £480,000.

Creditors: amounts falling due after more than one year – repayment of existing debt in Matrix (£1,112,000), Woodland (£823,000) and Newsham (£531,000) offset by the effect of the new bank facilities available at Completion (£5,400,000).

Other than as set out in these notes, this proforma statement does not take account of any differences between the book values and the fair values which will be ascribed to the assets and liabilities of Woodland and Newsham upon the acquisition by Matrix. The Directors have not yet completed their assessment of the fair value of net assets acquired and the goodwill may therefore change.

5. No account has been taken of any change in the financial position of Matrix, Woodland or Newsham or their respective trading positions since 30 September 2003 for Matrix and 30 June 2003 for Woodland and Newsham.

PART VII

ADDITIONAL INFORMATION

1. Responsibility

The Directors and the Proposed Directors, whose names appear on page 3 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 of the Directors and the Proposed 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 there is no omission likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated and registered in England and Wales with registered number 2463465 on 26 January 1990 as a public limited company under the Act with the name Matrix Health 2 Plc. On 22 February 1996 the Company changed its name to Matrix Healthcare Plc.

2.2 The principal legislation under which the Company operates is the Act. The liability of the Company's members is limited.

2.3 The registered office of the Company is at Gossard House, 7-8 Savile Row, London W1S 3PE. The head office of the Company is at North Heath, Chieveley, Newbury, Berkshire RG20 8UD.

2.4 The principal activity of the Company is that of a nursing and care homes operator.

3. Share capital

3.1 Set out below are details of (i) the authorised and issued share capital of the Company as at the date of this document, (ii) the authorised and issued share capital of the Company as it will be immediately following Admission and (iii) the authorised and issued share capital of the Company as it would be following the issue of the Further Consideration Shares:

	(i) As at the date of this document		*(ii) Following Admission*		*(iii) Following Admission and issue of the Further Consideration Shares*	
Class of share	*Authorised*	*Issued and fully paid up*	*Authorised*	*Issued and fully paid up*	*Authorised*	*Issued and fully paid up*
Matrix Ordinary Shares (Number)	6,500,000	5,010,694	15,000,000	8,885,694	15,000,000	10,135,694
Matrix Ordinary Shares (£)	325,000	250,534.7	750,000	444,284.7	750,000	506,784.7
Deferred Shares (Number)	45,000,000	20,550,798	45,000,000	20,550,798	45,000,000	20,550,798
Deferred Shares (£)	2,250,000	1,027,539.9	2,250,000	1,027,539.9	2,250,000	1,027,539.9

3.2 Pursuant to resolutions of the Company passed on 16 January 2001:

3.2.1 (a) each of the ordinary shares of 50p in the capital of the Company was sub-divided and reclassified into one ordinary share of 5p ("Matrix Ordinary Share") and nine deferred shares of 5p each ("Deferred Shares"), the Deferred Shares having the rights and being subject to the restrictions set out in the amendments to the articles of association in sub-paragraph (c) below;

(b) the authorised share capital of the Company was increased from £2,500,000 to £2,575,000 by the creation of an additional 1,500,000 Matrix Ordinary Shares of 5p each ranking *pari passu* with the existing Matrix Ordinary Shares of 5p each following the sub-division and reclassification effected by sub-paragraph (a) above;

(c) pursuant to section 80(1) of the Act the directors were authorised generally and unconditionally to exercise all of the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £136,363.60 in connection with the issue by the Company of Matrix Convertible Loan Stock, such authority to expire six months from the date of passing of the resolution;

(d) the directors were empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority referred to in paragraph (c) above, as if sections 89(1) of the Act does not apply to such allotment;

(e) the articles of association of the Company were amended as follows:

(i) the deletion of article 3 and the substitution of the following article:

"3. Share Capital

The authorised share capital of the Company at the date of adoption of this article is £2,575,000 divided in to 6,500,000 Matrix Ordinary Shares of 5p each and 45,000,000 Deferred Shares of 5p each, the Matrix Ordinary Shares having all of the rights and being subject to the restrictions of all of the articles of association of the Company (save for those relating solely to the Deferred Shares) and the Deferred Shares having the specific rights and being subject to the restrictions set out in article 142"; and

(ii) the addition of the following article:

"142. Deferred Shares

The Deferred Shares shall have the following rights and be subject to the following restrictions:

(a) the Deferred Shares shall carry no right to receive notice of or to attend or vote at any general meeting of the Company;

(b) the Deferred Shares shall carry no right to any dividend payable by the Company; and

(c) on a return of capital on a winding up, liquidation or otherwise, the Deferred Shares shall carry the right to receive the nominal value paid up on each Deferred Share but only after payment to ordinary shareholders of £1,000 per share; the Deferred Shares shall carry no right to share in or participate in a return of assets.";

3.2.2 (a) pursuant to section 80(1) of the Act, the directors were additionally authorised generally and unconditionally to exercise all of the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £38,057, provided that this authority shall expire on the date falling five years after the date when the resolution was passed and save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot the relevant securities in pursuant of such offer or agreement as if the authority conferred had not expired; and

(b) the directors were additionally empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash up to the amount for which authority was given by paragraph (a) above, as if section 89(1) of the Act does not apply to any such allotment, provided that such power would be limited to:

(i) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the directors, by way of rights, open offer or otherwise to holders of Matrix Ordinary Shares and such other equity securities as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached to them (but subject to such exclusions or other arrangements necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise however); and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £5,708 representing approximately 5 per cent. of the nominal value of the Company's issued ordinary share capital following the sub-division and reclassification described in paragraph 3.2.1 above;

and shall expire on the date falling five years after the passing of the resolution, save that that Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and

3.2.3 approval was granted for the waiver by The Panel on Takeovers and Mergers of the obligation which would otherwise have arisen pursuant to Rule 9 of the City Code for Best Investment to make a general offer for all the Matrix Ordinary Shares in the capital of the Company not already owned by it pursuant to the allotment and subsequent conversion of the Matrix Convertible Loan Stock into Matrix Ordinary Shares.

3.3 On 16 January 2001 the Company created and issued £900,000 10 per cent. secured convertible redeemable loan notes 2003. The maturity date of the Matrix Convertible Loan Stock was extended from 31 January 2003 to 31 January 2004 following the passing at the annual general meeting on 31 January 2003 of an ordinary resolution approving the extension until 31 January 2004 of the waiver by the Panel on Takeovers and Mergers of the obligation which would otherwise have arisen on Best Investment under Rule 9 of the City Code to make a general offer for all the Matrix Ordinary Shares not then owned by it after the conversion of its Matrix Convertible Loan Stock. The Matrix Convertible Loan Stock was converted in full on 19 January 2004 and as a result 2,727,272 new Matrix Ordinary Shares were allotted and issued to Best Investment and Peter Dewe-Mathews.

3.4 As at the date of this document the Directors have general and unconditional authority to allot relevant securities (as defined in section 80(2) of the Act) up to a maximum aggregate nominal amount of £38,057 until 16 January 2006.

3.5 As at the date of this document the Directors are empowered pursuant to section 95 of the Act (such authority to expire on 16 January 2006) to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to such allotment, such authority being limited to:

3.5.1 the allotment of equity securities in connection with rights issues or other pre-emptive offers; and

3.5.2 the allotment (otherwise than within paragraph 3.5.1 above) of equity securities up to a maximum aggregate nominal amount of £5,708.

3.6 Resolution 2 to be proposed at the EGM, which is conditional upon Admission, would, if passed, *inter alia*:

3.6.1 increase the authorised share capital of the Company by £425,000 by the creation of a further 8,500,000 new Matrix Ordinary Shares;

3.6.2 authorise the directors to allot relevant securities (as defined in section 80(2)) of the Act); and

3.6.3 disapply the provisions of section 89 (1) of the Act in respect of the allotment of equity securities (as defined in section 94(2) of the Act) for cash subject to limitations.

3.7 Following Admission (assuming that Resolution 2 to be proposed at the EGM is passed and becomes unconditional):

3.7.1 the directors will have general and unconditional authority pursuant to section 80 of the Act to allot 1,250,000 Matrix Ordinary Shares to satisfy the contingent consideration which may become payable pursuant to the Newsham Agreement and up to 4,864,306 new Matrix Ordinary Shares (representing approximately 55 per cent. of the Enlarged Share Capital) and such authority will expire on the date falling five years after the passing of the resolution at the EGM; and

3.7.2 the directors will have been empowered pursuant to section 95(1) of the Act to allot 1,250,000 Matrix Ordinary Shares to satisfy the contingent consideration which may become payable pursuant to the Newsham Agreement and equity securities up to a maximum aggregate nominal amount of £76,018 (representing approximately 17 per cent. of the Enlarged Share Capital) for cash otherwise than *pro rata* to existing Matrix Shareholders and up to the amount for which they have authority under section 80 of the Act in respect of rights issues or other pre-emptive offers to existing Matrix Shareholders. Such authority shall expire on the date falling five years after the passing of the resolution.

3.8 The provisions of section 89(1) of the Act which, to the extent not disapplied pursuant to section 95 of the Act, confer on Matrix Shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme (as defined in section 743 of the Act) apply to the balance of the authorised but unissued share capital of the Company which is not subject to the disapplication referred to in paragraph 3.7.2 above. This disapplication will give the Directors limited flexibility to issue shares for cash following Admission.

3.9 Save in respect of the Initial Consideration Shares and the Further Consideration Shares, no share or loan capital of the Company either has been agreed conditionally or unconditionally to be issued or is proposed to be issued fully or partly paid either for cash or is under option or has been agreed conditionally or unconditionally to be placed under option.

3.10 The Matrix Ordinary Shares are in registered form and are capable of being held in uncertificated form. Application has been made to the London Stock Exchange for the existing issued Matrix Ordinary Shares and the Initial Consideration Shares to be admitted to trading on AIM. No temporary documents of title will be issued and it is anticipated that definitive share certificates will be posted by first class post to shareholders on or before 19 February 2004.

3.11 The Crest Regulations permit the holding and transfer of Matrix Ordinary Shares under CREST. Accordingly the Initial Consideration Shares will be capable of being held and transferred under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument.

4. Memorandum and articles of association

4.1 *Memorandum of association*

The principal objects of the Company are set out in paragraph 4 of its memorandum of association (which is available for inspection at the address specified in paragraph 12 below) and include the carrying on of business as a nursery and care homes operator.

4.2 *Articles of association*

The new articles of association of the Company ("Articles"), proposed to be adopted pursuant to Resolution 2 set out in the notice of EGM on pages 66 to 68 of this document include provisions to the following effect:

4.2.1 Voting rights

Subject to any terms as to voting upon which any shares may have been issued or may for the time being be held and to any disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure of interests in shares in the Company, at a general meeting of the Company:

4.2.1.1 every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member, on a show of hands, has one vote; and

4.2.1.2 every member present in person or by representative (in the case of a corporate member) or by proxy shall, on a poll, have one vote for every share of which he is the holder.

Unless the board otherwise determines, a member shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

Holders of Deferred Shares are not entitled to vote at general meetings of the Company.

4.2.2 Dividends

Subject to the provisions of the Acts (as defined in the Articles) and of the Articles, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests in the profits of the Company, but no dividend shall exceed the amount recommended by the board. Subject to the provisions of the Acts, the board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the board to be justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

Without prejudice to the provisions of the Articles, the board may, with the authority of an ordinary resolution of the Company:

4.2.2.1 offer holders of Matrix Ordinary Shares the right to elect to receive further Matrix Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution; and

4.2.2.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

Holders of Deferred Shares are not entitled to receive dividends.

4.2.3 Distribution of assets on a winding-up

On a winding-up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of members as he may determine. The liquidator shall not, however (except with the consent of the member concerned) distribute to a member any asset to which there is attached a liability or potential liability for the owner.

Holders of Deferred Shares have the right, on a return of capital, to receive the nominal value paid up on each Deferred Share but only after the payment to holders of Matrix Ordinary Shares of £1,000 per share.

4.2.4 Transfer of shares

Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

Every transfer of shares which are in uncertificated form must be made by means of a relevant system (as defined in the Uncertificated Securities Regulations 2001).

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (a) it is in respect of a share which is not fully paid up; (b) it is in respect of more than one class of share; (c) it is not duly stamped (if so required); or (d) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (a) a child, bankrupt or person of unsound mind; or (b) more than four joint transferees.

In the case of shares in certificated form, the registration of transfers of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Board may from time to time determine.

In the case of shares in uncertificated form, the register shall not be closed without the consent of the operator of the relevant system (as defined in the Articles).

4.2.5 Variation of class rights

Subject to the provisions of the Acts, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, 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 such holders of shares of that class, but not otherwise. The quorum at any such meeting is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question or, at an adjourned meeting, two persons holding shares of the class in question or his proxy. Any holder of shares of the class in question present in person or by proxy may demand a poll. Holders of shares of the class in question shall, on a poll, have one vote for every share of that class held by them.

The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

4.2.6 Share capital, changes in capital and purchase of own shares

Subject to the provisions of the Acts and the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the board may determine.

Subject to the provisions of the Acts and to any rights attached to any existing shares: (a) any share may be issued with such rights or restrictions as the Company may from time to time determined by ordinary resolution; and (b) the Company may issue redeemable shares.

The Company may, by ordinary resolution, (a) increase its share capital; (b) consolidate, or consolidate and then divide, all or any of its shares into shares of a larger amount; (c) sub-divide its shares or any of them into shares of a smaller amount and as a part of such sub-division determine that any of such shares may have any preference or other advantage or deferred or qualified rights or be subject to any restriction as compared with the others; (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and (e) convert all or any of its paid up shares into stock, and re-convert that stock into paid up shares of any denomination.

Subject to the provisions of the Acts, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

Subject to the provisions of the Acts, the Company may purchase all or any of its shares of any class (including redeemable shares).

4.2.7 Directors

Unless otherwise determined by ordinary resolution, there shall be no maximum number of directors, but the number of directors shall not be less than two.

Subject to the provisions of the Acts and provided that he has disclosed to the directors the nature and extent of any interest, a director may:

4.2.7.1 enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;

4.2.7.2 hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company, and be remunerated accordingly;

4.2.7.4 be a director or other officer, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

4.2.7.5 shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal.

Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is to his knowledge materially interested, directly or indirectly (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company); provided that a director shall be entitled to vote and be counted in the quorum in circumstances where the resolution relates:

(a) to the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(b) to an offer of securities of the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(c) to another company in which he and any persons connected with him has a direct or indirect interest of any kind, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of equity share capital, or the voting rights, in such company;

(d) to any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(e) to any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.

A director shall not vote or be counted in the quorum on any resolution of the board or any committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

Unless otherwise determined by the Company by ordinary resolution, the directors (other than alternate directors) who do not hold executive office shall be paid for their services as directors such aggregate fees (not exceeding £50,000 per annum) as the board may decide, to be divided among the directors in such proportion and manner as it may determine or, in default of determination, equally. Such maximum level of fees shall be increased in line with the increase in the General Index of Retail Prices. Any fee payable shall accrue from day to day and shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to other provisions of the Articles.

Each director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director, including any expenses incurred in attending meetings of the board or of any committees of the board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company. Any non-executive director who performs special services for the Company may be paid such extra remuneration by way of additional fees, salary, percentage of profits or otherwise as the board may determine.

At each annual general meeting of the Company, there shall be required to retire by rotation: (a) one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, unless there are less than three directors who are subject to retirement by rotation in which case one of them shall be required to retire by rotation; and (b) in addition, any director who at an annual general meeting shall have been a director at each of the preceding two annual general meetings of the Company (provided that he was not appointed or reappointed at either such annual general meeting and he has not otherwise ceased to be a director and been reappointed by general meeting of the Company at or since either such annual general meeting), and each such retiring director may, if eligible, offer himself for re-election. The directors to retire by rotation shall first be those who wish to retire and not offer themselves for re-election and secondly those who have been longest in office since their last appointment or reappointment and, in the case of those who have been in office an equal length of time, shall, unless they agree otherwise, be determined by lot. Any director appointed by the board shall hold office only until the next annual general meeting, when he shall be eligible for appointment, but shall not be taken into account in determining the directors to retire by rotation at that meeting.

No person shall be or become incapable of being appointed a director by reason of his having attained the age of 70 or any other age and no special notice shall be required in connection with the appointment or the approval of the appointment of any such person, nor shall a director be required to retire by reason of his having attained that or any other age.

Directors shall not be required to hold any shares in the Company.

4.2.8 Borrowing powers

Subject to the provisions of the Acts, the board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the group shall not, without an ordinary resolution of the Company, exceed a sum equal to three times the aggregate of the amount paid up or credited as paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserves of the group as shown in the latest audited balance sheet of the group, after such adjustments and deductions as are specified in the Articles.

4.2.9 Pensions and benefits

The board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

4.2.10 Untraced shareholders

The Company may sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by virtue of transmission on the death or bankruptcy of a member or otherwise by operation of law if all dividends, warrants and cheques sent, or funds transferred, to such member or person have remained uncashed or been returned to the Company, respectively, for a period of 12 years; the Company has paid at least three cash dividends in respect of those shares during such period; and the Company has, on the expiration of such period given notice of its intention to sell such shares in a national newspaper and an appropriate local newspaper, and no indication is received as to the whereabouts or existence of such member or persons.

The Company shall account to the member or other person entitled to such shares for the net proceeds of such sale.

5. Interests of Directors, Proposed Directors and other interests

5.1 The interests (all of which are beneficial unless otherwise stated) of the Directors, the Proposed Directors and their immediate families and of persons connected with them within the meaning of section 346 of the Act in the share capital of the Company as at the date of this document (which have been notified to the Company pursuant to section 324 or 328 of the Act and are required to be entered in the register of directors' interests maintained under the provisions of section 325 of the Act or could, with reasonable diligence, be ascertained by the Directors) and as they are expected to be following Admission are as follows:

(i) As at the date of this document:

Director	*Number of Matrix Ordinary Shares*	*Percentage of Share Capital*	*Number of Matrix Deferred Shares*	*Percentage of issued deferred share capital*
Peter Dewe-Mathews	90,000	1.8%	810,000	3.9%
John Spiers*	337,900	6.7%	3,041,100	14.8%
Rupert Lywood	5,001	0.1%	9	0%
Proposed Director				
Jeremy Davies	1,477,272	29.5%	—	—
Richard Ellert	1,250,000	24.9%	—	—
Pearl Jackson	—	—	—	—

* Held by Best Investment, a company of which John Spiers is a director and in which he has a controlling interest.

(ii) Following Admission:

Director	*Number of Matrix Ordinary Shares*	*Percentage of Enlarged Share Capital*	*Number of Matrix Deferred Shares*	*Percentage of issued deferred share capital*
Peter Dewe-Mathews	90,000	1.0%	810,000	3.9%
John Spiers*	337,900	3.8%	3,041,100	14.8%
Rupert Lywood	5,001	0.06%	9	0%
Proposed Director				
Jeremy Davies**	3,789,772	42.7%	—	—
Richard Ellert**	1,250,000	14.1%	—	—
Pearl Jackson	1,000,000	11.3%	—	—

* Held by Best Investment, a company of which John Spiers is a director and in which he has a controlling interest.

** Assuming that no Matrix Shareholders accept the Offer.

(iii) Following Admission and following issue of the Further Consideration Shares:

Director	*Number of Matrix Ordinary Shares*	*Percentage of Enlarged Share Capital***	*Number of Matrix Deferred Shares*	*Percentage of issued deferred share capital*
Peter Dewe-Mathews	90,000	0.9%	810,000	3.9%
John Spiers*	337,900	3.3%	3,041,100	14.8%
Rupert Lywood	5,001	0.05%	9	0%
Proposed Director				
Jeremy Davies***	4,664,772	46.0%	—	—
Richard Ellert***	1,250,000	12.3%	—	—
Pearl Jackson	1,000,000	9.9%	—	—

* Held by Best Investment, a company of which John Spiers is a director and in which he has a controlling interest.

** Enlarged Share Capital as enlarged by the issue of the 1,250,000 Further Consideration Shares pursuant to the Newsham Agreement.

*** Assuming that no Matrix Shareholders accept the Offer.

5.2 Save as disclosed in paragraph 5.1, none of the Directors or Proposed Directors has any interest in the share capital of the Company or of any of its subsidiaries nor does any person connected with the Directors or Proposed Directors (within the meaning of section 346 of the Act) have any such interest, whether beneficial or non-beneficial.

5.3 No share or loan capital of the Company or any of its subsidiary undertakings is under option or agreed conditionally or unconditionally to be put under option.

5.4 Save as set out in paragraph 6, no Director or Proposed Director has or has had any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Enlarged Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Enlarged Group.

5.5 No loan or guarantee has been granted or provided by the Company to any Director, Proposed Director or any person connected with them.

5.6 The Proposed Directors, whose names appear on page 3 of this document, will be proposed for appointment to the offices set out against their respective names at the annual general meeting convened for 11 February 2004. Their service contracts, which are each conditional upon their appointment as directors of the Company at the annual general meeting of the Company convened for 11 February 2004, are summarised below:

Proposed Director	*Date of agreement*	*Notice period*	*Salary per annum*
Jeremy Davies	19 January 2004	12 months from the Company and the Proposed Director	£50,000
Richard Ellert	19 January 2004	12 months from the Company and the Proposed Director	£50,000
Pearl Jackson	19 January 2004	12 months from the Company and the Proposed Director	£50,000

5.7 Peter Dewe-Mathews has agreed to continue to act as the non-executive Chairman of the Company conditional upon and with effect from Admission, by letter of appointment dated 19 January 2004. The appointment is for a period of six months from Admission. The fee payable for Peter Dewe-Mathews' services as non-executive Director for that six month period is £7,500.

5.8 Save as disclosed in paragraphs 5.6 and 5.7, there are no service agreements or letters of appointment in existence between any of the Directors or the Proposed Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year.

5.9 The aggregate of the remuneration paid (including benefits in kind and pension contributions) granted to the Directors in respect of the financial year ended 30 September 2003 was £nil.

5.10 There are no arrangements under which any Director or Proposed Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year ended 30 September 2003.

5.11 It is estimated that the aggregate emoluments (including benefits in kind and pension contributions) of the Directors and the Proposed Directors for the period ending 30 September 2004, assuming Admission, will amount to £106,250 under the arrangements in force at the date hereof.

5.12 Save as disclosed in this document, none of the Directors or the Proposed Directors has or has had any interest in any transactions effected by any member of the Enlarged Group since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Enlarged Group.

5.13 In addition to the shareholdings set-out in paragraph 5.1, the Company is aware of the following persons who, directly or indirectly, jointly or severally, hold 3 per cent. or more of the issued share capital of the Company or exercise or could exercise control over the Company:

(i) As at the date of this document:

Shareholder	*Number of Matrix Ordinary Shares*	*Percentage of Share Capital*	*Number of Deferred Shares*	*Percentage of issued deferred share capital*
S Jagsi	151,500	3.0%	954,531	4.6%
R F Burchett	80,000	1.6%	720,000	3.5%
W G Barb	72,000	1.4%	648,000	3.1%

(ii) Following Admission (assuming that they do not accept the Offer):

Shareholder	*Number of Matrix Ordinary Shares*	*Percentage of Enlarged Share Capital*	*Number of Deferred Shares*	*Percentage of issued deferred share capital*
S Jagsi	151,500	1.7%	954,531	4.6%
R F Burchett	80,000	0.9%	720,000	3.5%
W G Barb	72,000	0.8%	648,000	3.1%

(iii) Following Admission (assuming that they do not accept the Offer) and following the issue of the Further Consideration Shares:

Shareholder	*Number of Matrix Ordinary Shares*	*Percentage of Enlarged Share Capital**	*Number of Deferred Shares*	*Percentage of issued deferred share capital*
S Jagsi	151,500	1.5%	954,531	4.6%
R F Burchett	80,000	0.8%	720,000	3.5%
W G Barb	72,000	0.7%	648,000	3.1%

* Enlarged Share Capital as enlarged by the issue of the Further Consideration Shares.

Save as disclosed above, the Company is not aware of any person other than a Director or Proposed Director who, immediately following Admission, will, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

5.14 The directorships held by each of the Directors and the Proposed Directors over the five years preceding the date of this document, other than in the Company, and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

Director	*Current directorships and partnerships*	*Past directorships and partnerships*
Vincent Henry Peter Dewe-Mathews	Barleyglow Limited Capitol Health Management Corporation HQN Limited K1 HMD Supplies Limited Star Syringe Limited The Knoll Nursing Home Limited The Permanent Health Company Limited	Lifeways Community Care Limited Eumedic Limited Matix Aegis (ANS I) Limited Matrix Aegis (ANS II) Limited West Coast Homes (Ayrshire) Limited
John Dudley Spiers	Bestinvest (Holdings) Limited Bestinvest (Research) Limited Bestinvest (Brokers) Plc Gifford Stewart & Co Limited Lamedon Investments Limited Bestinvest Trustee Co Limited Best Investment Group Limited Best Investment Limited Best Investment Leisure Plc Best ISA Limited Britannia Films Limited	Galaxyplan Limited Constellation Homes (No. 1) Limited Constellation Homes (No. 2) Limited Constellation Homes (No. 17) Limited Constellation Homes (No. 55) Plc AIM VCT Managers Limited Rebel Magic Limited Wings of a Dove Limited
Rupert Charles Gifford Lywood	Animatrix Limited Animax Media Limited Backgood Limited Barleyglow Limited Callkeep Limited CJS Productions Limited Dayequip Limited DMG Productions Limited e VCT plc e3w Capital plc Firstdogma Limited Health-enet Limited HQN Limited ICMS Limited internet VCT plc Matrix Amoco (General Partner Limited) Matrix Employee Trust Company Limited Matrix Energy Limited Matrix Film Distribution Limited Matrix Films & Television Limited Matrix Films (No. 62) Limited Matrix Films (No. 63) Limited Matrix Films (No. 64) Limited Matrix Films (No. 65) Limited Matrix Films (No. 66) Limited Matrix Films (No. 67) Limited Matrix Films (No. 68) Limited Matrix Films (No. 69) Limited Matrix Films (No. 70) Limited	Chiswick Films Limited Fairview Films Limited Huron Films Limited ICS Productions Limited K1 HMD Supplies Limited Marac Limited Mathams Limited Matrix Aegis (ANSI) plc Matrix Films (No. 61) Limited Matrix New Professionals (No. 1) Limited Matrix New Professionals (No. 10) Limited Matrix New Professionals (No. 12) Limited Matrix New Professionals (No. 15) Limited Matrix New Professionals (No. 7) Limited Matrix Property Management Limited NJM Productions Limited Priorpark Limited

Director	*Current directorships and partnerships*	*Past directorships and partnerships*
Rupert Charles Gifford Lywood *(continued)*	Matrix Films (No. 71) Limited Matrix Films (No. 72) Limited Matrix Films (No. 73) Limited Matrix Granada (General Partner) Limited Matrix Group Limited Matrix Money Management Limited Matrix New Professionals (No. 11) Limited Matrix New Professionals (No. 13) Limited Matrix New Professionals (No. 14) Limited Matrix New Professionals (No. 2) Limited Matrix New Professionals (No. 3) Limited Matrix New Professionals (No. 4) Limited Matrix New Professionals (No. 6) Limited Matrix New Professionals (No. 8) Limited Matrix New Professionals (No. 9) Limited Matrix Private Equity Limited Matrix-Data Limited Matrix-Securities (Nominees) Limited Matrix-Securities Limited MEP Energy Services Limited MFB Films (UK) Limited Mightclose Limited Montauk Limited MREPS Trustees (No. 40) Limited Rimax Productions Limited Ron Sanders Enterprises Limited Star Syringe Limited The Knoll Nursing Home Limited The UK Film & Television Production Company plc Tipfrost Limited Unisoft Holdings Limited Unisoff Solutions Group Limited Valebold Limited Yizura Limited	

Director	*Current directorships and partnerships*	*Past directorships and partnerships*
Proposed Director		
William Jeremy Davies	Arnwold Limited ADL Limited Atreus Investments Limited Bowprine Limited Bowprine Commercial Limited Childcare Logistics Limited Newsham House Limited Somerford Healthcare Limited Woodland Associates Limited Woodland Healthcare Limited Woodland Nominees Limited Woodland Nursing Homes Limited	Davies Knight & Partners Highfield Cymru Limited LLNH Limited NHP plc NHP Management Limited NHP Securities No 1 Limited NHP Securities No 2 Limited NHP Securities No 3 Limited NHP Securities No 4 Limited NHP Securities No 6 Limited NHP Securities No 7 Limited Oakhurst Court Limited Somerford Developments Limited Spicehill Limited
Richard John Ellert	Childcare Logistics Limited Sancroft Corporate Services Limited L & B Associates	Athelney Trust Plc Emperor Properties Limited Emperor Holdings Limited G.R. Patrick & Company Limited Highfield Cymru Limited LLNH Limited NHP Plc NHP Management Limited NHP Securities No 1 Limited NHP Securities No 2 Limited NHP Securities No 3 Limited NHP Securities No 4 Limited NHP Securities No 6 Limited NHP Securities No 7 Limited Tom Hoskins Plc
Pearl Lorraine Jackson	Solutions (Yorkshire) Limited Star Healthcare Limited	Britannia Healthcare Limited Britannia Leased Homes Limited Eastwood Care Homes PLC Eastwood Care Homes (Ilkeston) Limited Eastwood Care Homes (Northampton) Limited First Choice Healthcare Limited Flopro Engineering Limited Nova Care Limited Pearlcare Limited Sanlar Care Homes Limited

5.15 No Director or Proposed Director has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.

5.16 Save as disclosed in paragraph 5.17 below, none of the Directors or the Proposed Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors and none of the Directors or the Proposed Directors has been a partner of any partnership at the time of or within twelve months preceding the date of any compulsory liquidation, administration or partnership voluntary arrangement or has owned an asset over which a receiver has been appointed or has been a director or partner of a company or partnership at the time of or within twelve months preceding the date of the receivership of any asset of such directorship or partnership.

5.17 Richard Ellert was a director of P.J.L. Plastics Limited which went into creditors' voluntary liquidation in 1986 with estimated liabilities of approximately £142,000, of Ling Group PLC which went into administrative receivership in September 1992 with estimated liabilities of approximately £4.6 million and of Jambon PLC which went into administrative receivership in August 1994 with estimated liabilities of approximately £112,000.

5.18 Save as disclosed in this document, none of the Directors or the Proposed Directors has been criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management of the affairs of a company.

6. Material contracts

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

6.1.1 an agreement dated 19 January 2004 and made between the Newsham Vendors (1) and the Company (2) pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Newsham for an initial consideration of £750,000 which is to be satisfied by the allotment of 1,875,000 Matrix Ordinary Shares credited as fully paid and for contingent consideration of £500,000 which would be satisfied by the allotment of 1,250,000 Further Consideration Shares credited as fully paid if planning permission were to be received for the construction of or conversion of existing buildings into five dwellings within two years of Completion. The Newsham Agreement is conditional upon, *inter alia*, the passing of the Resolutions, Admission and the facility agreement with Fortis Bank S.A./N.V. becoming unconditional (save for any condition as to the occurrence of Completion). Jeremy Davies has undertaken not to sell his Consideration Shares without Durlacher's consent for a period of one year after Completion (subject to certain exceptions including the acceptance of and an irrevocable undertaking to accept a recommended general offer for the entire issued ordinary share capital of Matrix). The Newsham Vendors have given warranties and a tax covenant in respect of Newsham. The Newsham Vendors' liability under the Newsham Agreement is limited to their share of the initial and contingent consideration and claims under the warranties must be notified by 30 September 2004 and under the tax covenant must be notified by the seventh anniversary of Completion. The Newsham Vendors have undertaken not to be involved in a care home business within Gloucestershire for a period of one year from Completion;

6.1.2 an agreement dated 19 January 2004 and made between the Woodland Vendors (1) and the Company (2) pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Woodland for consideration of £1,200,000 which is to be satisfied by the payment of £400,000 in cash and by the allotment of 2,000,000 Matrix Ordinary Shares credited as fully paid. The Woodland Agreement is conditional upon, *inter alia*, the passing of the Resolutions, Admission and the facility agreement with Fortis Bank S.A./N.V. becoming unconditional (save for any condition as to the occurrence of Completion). Jeremy Davies and Pearl Jackson have undertaken not to sell their Consideration Shares without Durlacher's consent for a period of one year after Completion (subject to certain exceptions including the acceptance of and an irrevocable undertaking to accept a recommended general offer for the entire issued ordinary share capital of Matrix). Jeremy Davies has given warranties and a tax covenant in respect of Woodland.

Jeremy Davies' liability under the Woodland Agreement is limited to £800,000 and claims under the warranties must be notified by 30 September 2004 and under the tax covenant must be notified by the seventh anniversary of Completion. The Woodland Vendors have undertaken not to be involved in a care home business within Devon for a period of one year from Completion; and

6.1.3 an agreement dated 19 January 2004 and made between the Company (1) and Fortis Bank S.A./N.V. ("Fortis Bank") (2) pursuant to which Fortis Bank will make available to the Company a Facility A Loan not exceeding £5,400,000 which will be used to refinance the Company's existing borrowings with Barclays Bank plc, refinance the borrowings of Newsham and Woodland on Completion, pay £400,000 cash consideration to one of the Woodland Vendors pursuant to the Woodland Agreement and pay the costs and fees of implementing the Proposals, a Facility B Loan not exceeding £3,750,000 which will be used to fund further acquisitions after Completion and an overdraft facility not exceeding £600,000 which will be used for general working capital and trading purposes by the Enlarged Group. Fortis Bank will not be obliged to advance these facilities until it has received all the documents and evidence listed in schedule 1 to the agreement which are all conditions precedent to be satisfied by the Company; in addition, Fortis Bank will not be obliged to make an advance under the Facility B Loan unless it is satisfied in all respects with the proposed acquisition to be funded by the advance; interest is payable on the Facility A and Facility B Loans at 1.5 per cent. above LIBOR and on the overdraft at 1.75 per cent. above Fortis Bank base rate from time to time; the Facility A and B Loans are repayable in varying tranches with no repayment being due for the first year after drawdown and the final payment being due on 30 April 2011 and the overdraft is repayable on demand; the Company will have to pay arrangement fees of an amount equal to 1 per cent. (exclusive of VAT) on the amount drawn down under the Facility A Loan and of an amount equal to 1.5 per cent. (exclusive of VAT) on amounts drawn down under the Facility B Loan, an arrangement fee of £7,500 (exclusive of VAT) is payable on first drawdown under the overdraft facility; in addition a commitment fee of 0.5 per cent. (exclusive of VAT) is payable on undrawn amounts under the Facility B Loan; and the facilities will be secured, *inter alia*, by composite guarantees and debentures and legal charges to be entered into by the Company and, after Completion and after compliance with the financial assistance whitewash procedures set out in the Act, by Newsham and Woodland.

6.2 The following contract, not being a contract in the ordinary course of business, has been entered into by Newsham within the two years preceding the date of this document and is, or may be, material:

6.2.1 an agreement dated 17 December 2002 and made between Christopher William Peachey and Murray Toombs ("Sellers") and Newsham (2) pursuant to which Newsham conditionally agreed to acquire Newsham Nursing Home from the Sellers for a cash consideration of £800,000. The Sellers undertook not to open a competing care home in Gloucester. The Sellers gave warranties and indemnities in respect of Newsham Nursing Home to Newsham. The acquisition of Newsham Nursing Home was completed on 1 March 2003.

6.3 Woodland has not entered into any contracts, not being contracts in the ordinary course of business, within the two years preceding the date of this document which are, or may be, material.

7. Litigation

7.1 Matrix Healthcare has not been engaged in, nor is it currently engaged in, any litigation or arbitration which has or may have, a significant effect on the financial position of Matrix

Healthcare and, so far as the Directors and the Proposed Directors are aware, there are no such proceedings pending or threatened against Matrix Healthcare.

7.2 Newsham has not been engaged in, nor is it currently engaged in, any litigation or arbitration which has or may have a significant effect on the financial position of Newsham and, so far as the Directors and the Proposed Directors are aware, there are no such proceedings pending or threatened against Newsham.

7.3 Woodland has not been engaged in, nor is it currently engaged in, any litigation or arbitration which has or may have a significant effect on the financial position of Woodland and, so far as the Directors and the Proposed Directors are aware, there are no such proceedings pending or threatened against Woodland.

8. The Enlarged Group

8.1 The Company is the holding company of the following subsidiary undertakings, both of which are wholly-owned, have their registered office at North Heath, Chieveley, Newbury, Berkshire RG20 8UD and are incorporated in England and Wales:

Company name	*Issued share capital*	*Business*
Barleyglow Limited	£2	Dormant
The Knoll Nursing Home Limited	£1,000	Dormant

8.2 Woodland is the holding company of the following subsidiary undertaking, which is wholly-owned, has its registered office at Jubilee House, Bronshill Road, Torquay, TQ1 3HA and is incorporated in England and Wales:

Company name	*Issued share capital*	*Business*
Woodland Nursing Homes Limited	£1,072,581	Dormant

8.3 Newsham does not have any subsidiary undertakings.

9. UK taxation

The following paragraphs summarise advice received by the Board about the tax position of shareholders who are resident or ordinarily resident in the UK for tax purposes and who are the beneficial owners of Matrix Ordinary Shares which they hold as an investment. The statements below are based on the relevant tax law and practice at the date of this document which may be subject to change. The statements below do not constitute advice to any shareholder on his or her personal tax position and may not apply to certain classes of investor (such as persons carrying on a trade in the UK through a branch or agency or UK insurance companies). **Any investors who are in doubt as to their tax position and any investor resident outside the UK for tax purposes or subject to tax in a jurisdiction other than the UK should consult their professional adviser.**

9.1 Those Matrix Shareholders who, on acquisition of their Matrix Ordinary Shares, were entitled to relief under the Business Expansion Scheme or the Enterprise Investment Scheme may be entitled to relief on the disposal of their Matrix Ordinary Shares pursuant to one of those Schemes. If you are in any doubt as to the relief you may be entitled to pursuant to those Schemes, you should consult an appropriate professional adviser without relay.

9.2 Taxation of the Company

The Company will be liable to UK corporation tax at rates (depending on the level of its profits for each accounting period) currently of between 10 per cent. and 30 per cent.

9.3 Taxation of Matrix Shareholders

Under current UK tax legislation, no tax will be withheld at source from dividend payments by the Company.

A UK resident individual or trustee who is a shareholder will be entitled to a tax credit in respect of any dividend paid by the Company which in the tax year 2003/2004 would be equal to one-ninth of the cash amount received.

The amount of the dividend received by such an individual shareholder and the associated tax credit are both included in calculating the individual shareholder's income for UK tax purposes. The aggregate of the dividend and credit will form an individual's top slice of income for UK tax purposes. For individual shareholders resident in the UK for tax purposes who pay tax at the starting or basic rates, the tax credit will satisfy the whole of their liability to tax. Higher rate tax payers (who have to pay tax at the rate of 32.5 per cent. on the total of the dividend and tax credit) will have additional tax to pay equal to 22.5 per cent. of the dividend and tax credit after taking account of the tax credit, being 25 per cent. of the cash dividend received.

The tax credit cannot be reclaimed from the Inland Revenue under any circumstances.

UK resident trustees of discretionary trusts are liable to income tax on UK company dividends at 25 per cent. of the dividend and tax credit. After taking into account the available tax credit, the trustees will be liable to additional income tax at 15 per cent. of the aggregate of the dividend and tax credit. From 6 April 2004 the rate of tax suffered by discretionary trusts is expected to increase to 32.5 per cent. of the dividend and tax credit following the statement made in the Chancellor's pre-Budget Report of 10 December 2003.

A UK resident corporate shareholder will not generally be liable to UK corporation tax on any dividend received from the Company. UK resident corporate shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to payment in cash of the tax credit.

9.4 Chargeable Gains

9.4.1 Upon the sale by an investor of all or any of its Matrix Ordinary Shares, an investor may, depending upon its circumstances, incur a liability to UK tax in respect of chargeable gains ("CGT") subject to available reliefs.

9.4.2 For UK resident individual shareholders, taper relief may be available to reduce the amount of the gain chargeable to tax. The availability and rate of taper relief will depend upon the period of ownership of the Matrix Ordinary Shares and on whether the Matrix Ordinary Shares qualify as business assets or not for the individual in question.

9.4.3 For UK resident shareholders within the charge to corporation tax, taper relief is not available but an indexation allowance should be available to reduce the amount of the chargeable gain realised on a disposal of the Matrix Ordinary Shares.

9.5 Stamp Duty

Transfers of Matrix Ordinary Shares in certificated form will be subject to stamp duty payable at 0.5 per cent. of the consideration (rounded up to the nearest £5). A charge to stamp duty reserve tax ("SDRT"), normally at the rate of 0.5 per cent. of the amount of the value of consideration, will arise, in the case of an unconditional agreement for sale, on the date of the agreement or, in the case of a conditional agreement for sale, on the date the agreement becomes unconditional. The SDRT is payable on the seventh day of the month following the month in which the charge arises. However, where an instrument of transfer is executed and duly stamped within six years of the SDRT charge arising, the SDRT charge (but not necessarily any interest and penalties payable in respect thereof) is cancelled and repayment can be claimed where appropriate. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

No stamp duty or SDRT will arise on a transfer of Matrix Ordinary Shares into CREST, unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set above.

Transfers of Matrix Ordinary Shares under the CREST system for paperless transfers will generally be liable to SDRT at the rate of 0.5 per cent.

10. Working capital

In the opinion of the Directors and the Proposed Directors having made due and careful enquiry and after taking account of the debt facilities being made available, the working capital available to the Enlarged Group will, from Admission, be sufficient for its present requirements, that is for at least the next 12 months.

11. General

11.1 The accounting reference date of the Company is 30 September. After Admission the New Board intends to change the Company's accounting reference date to 31 March.

11.2 Durlacher has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

11.3 The total costs and expenses payable by the Company in connection with the Acquisitions and Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £480,000 (excluding VAT).

11.4 Save as disclosed in this document, no person has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to a price per Matrix Ordinary Share of 40p, or any other benefit with a value of £10,000 or more at the date of Admission.

11.5 Each of the Directors and the Proposed Directors is, or may be deemed to be, a promoter of the Company.

11.6 The financial information for the relevant accounting period set out in the Accountants' Reports in Parts IV and V of this document concerning Newsham and Woodland does not constitute statutory accounts of those companies within the meaning of section 240 of the Act.

11.7 Save as disclosed herein, there has been no significant change in the financial or trading position of the Company since 30 September 2003, being the date to which the latest audited accounts of the Company were prepared.

11.8 Save as disclosed herein, there has been no significant change in the financial or trading position of Newsham since 30 June 2003, being the date to which the latest audited accounts of Newsham were prepared.

11.9 Save as disclosed herein, there has been no significant change in the financial or trading position of Woodland since 30 June 2003, being the date to which the latest audited accounts of Woodland were prepared.

11.10 Christie & Co have given and not withdrawn their written consent to the inclusion of their letter in the form set out in Part III of this document and the reference to such letter in the form and context in which they appear and accept responsibility for such letter in accordance with paragraph 45(8)(b), paragraph 45(1)(b)(iii) or paragraph 45(2)(b)(iii) of Schedule 1 to the Regulations.

11.11 Deloitte & Touche LLP have given and not withdrawn their written consent to the inclusion of their accountants' reports on Newsham and Woodland in the form set out in Parts IV and V respectively of this document and the reference to such reports in the form and context in which they appear and accept responsibility for such reports in accordance with paragraph 45(1)(b)(iii) of Schedule 1 to the Regulations.

11.12 For the purposes of paragraph 45(1)(a)(iv) of Schedule 1 to the Regulations, Deloitte & Touche LLP have given and not withdrawn their written consent to the inclusion of their audit report within the meaning of Section 235 of the Companies Act 1985 on the statutory financial statements of Matrix for the year ended 30 September 2003 in the form set out in Appendix I to this document and the references to their audit report in the form and context in which they appear, accept responsibility for that audit report and have not become aware, since the date of the report, of any matter affecting the validity of that report at that date.

11.13 Copies of this document will be available free of charge at the Company's registered office and from the offices of the Company's nominated adviser, Durlacher at 4 Chiswell Street, London EC1Y 4UP during normal office hours on any weekday (Saturdays and public holidays excepted) for a period of not less than one month from the date of Admission.

11.14 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

11.15 There are no specified dates on which entitlements to dividends payable by the Company arise.

12. Documents on display

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of DLA, 3 Noble Street, London EC2V 7EE for a period of one month from the date of this document:

12.1 the memorandum and articles of association of the Company and the proposed new articles of association of the Company;

12.2 the statutory financial statements of the Company, Newsham and Woodland for the three financial years ended 30 September 2003 and 30 June 2003 respectively and the interim results of the Company for the six months ended 31 March 2003;

12.3 the full valuation report from Christie & Co referred to in Part III of this document;

12.4 the reports from Deloitte & Touche LLP set out in Parts IV and V of this document;

12.5 the service agreements and letters of appointment referred to in paragraphs 5.6 and 5.7 of this Part VII;

12.6 the material contracts referred to in paragraph 6 of this Part VII;

12.7 the consent letters referred to in paragraph 11 of this Part VII; and

12.8 the irrevocable undertakings referred to in the recommendation in Part I of this document.

Dated 19 January 2004

PART VIII

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Acquisitions"	the Newsham Acquisition and the Woodland Acquisition
"Acquisition Agreements"	the Newsham Agreement and the Woodland Agreement
"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Existing Matrix Ordinary Shares and the Initial Consideration Shares to trading on AIM in accordance with the AIM Rules
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules"	the rules of AIM as published by the London Stock Exchange from time to time
"Best Investment"	Best Investment Limited, a company controlled by John Spiers, a Director of the Company
"Board" or "Directors"	the directors of the Company, whose names are set out on page 3 of this document
"City Code"	the City Code on Takeovers and Mergers
"Combined Code"	the Combined Code on Corporate Governance published by the Financial Reporting Council on 23 July 2003
"Company", "Matrix" or "Matrix Healthcare"	Matrix Healthcare plc
"Completion"	completion of the Acquisition Agreements in accordance with their terms
"CREST"	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form (as defined in the CREST Regulations) operated by CRESTCo Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001
"Davies and Ellert Concert Party"	William Jeremy Davies and Richard John Ellert
"Durlacher"	Durlacher Limited
"Enlarged Group"	the Company, Newsham, Woodland and their subsidiaries
"Enlarged Share Capital"	the entire issued ordinary share capital of the Company following the issue of the Initial Consideration Shares
"Existing Matrix Ordinary Shares"	the 5,010,694 Matrix Ordinary Shares in issue at the date of this document
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company convened for 9.30 a.m. on 11 February 2004, notice of which is set out at the end of this document, and any adjournment thereof
"Further Consideration Shares"	the 1,250,000 new Matrix Ordinary Shares to be allotted and issued, credited as fully paid, pursuant to the Newsham Agreement dependent upon planning permission being obtained on surplus land at Newsham House, Gloucester

"Initial Consideration Shares"	the 3,875,000 new Matrix Ordinary Shares to be allotted and issued, credited as fully paid, pursuant to the Acquisition Agreements on Admission
"London Stock Exchange"	London Stock Exchange plc
"Matrix Convertible Loan Stock"	£900,000 nominal of 10 per cent. secured convertible redeemable loan notes 2004 issued by the Company
"Matrix Deferred Shares"	deferred shares of 5p each in the capital of the Company
"Matrix Ordinary Shares"	ordinary shares of 5p each in the capital of the Company
"Matrix Shareholders"	the holders of Matrix Ordinary Shares
"New Board"	the Proposed Directors and Peter Dewe-Mathews
"Newsham"	Newsham House Limited, registered in England and Wales under company number 2719425
"Newsham Acquisition"	the acquisition of the entire issued share capital of Newsham by the Company pursuant to the Newsham Agreement
"Newsham Agreement"	the agreement dated 19 January 2004 between (1) the Newsham Vendors and (2) the Company, details of which are set out in paragraph 6.1.1 of Part VII of this document
"Newsham Vendors"	William Jeremy Davies, Adrian Robert Kilmartin, Derek Alfred Youds and Linda Joyce Youds
"Offer Document"	the offer document dated 19 January 2004 posted to Matrix Shareholders setting out the mandatory cash offer made by Nabarro Wells & Co. Limited on behalf of the Davies and Ellert Concert Party to acquire the Matrix Ordinary Shares not already owned by the Davies and Ellert Concert Party
"Official List"	the Official List of the UK Listing Authority
"Proposals"	the proposals set out in this document including the Acquisitions
"Proposed Directors"	William Jeremy Davies, Richard John Ellert and Pearl Lorraine Jackson, who will be proposed for election as directors of the Company at the Company's Annual General Meeting convened for 9.40 a.m. on 11 February 2004
"Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Resolutions"	the resolutions to be proposed at the Extraordinary General Meeting
"Reverse Takeover"	an acquisition by the Company which constitutes a reverse takeover (as defined in the AIM Rules)
"Share Capital"	the entire issued ordinary share capital of the Company at the date of this document
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"Vendors"	the Newsham Vendors and the Woodland Vendors
"Woodland"	Woodland Healthcare Limited, registered in England and Wales under company number 2912772

"Woodland Acquisition"	the acquisition of the entire issued share capital of Woodland by the Company pursuant to the Woodland Agreement
"Woodland Agreement"	the agreement dated 19 January 2004 between (1) the Woodland Vendors and (2) the Company, details of which are set out in paragraph 6.1.2 of Part VII of this document
"Woodland Group"	Woodland and its wholly owned subsidiary undertaking, Woodland Nursing Homes Limited
"Woodland Vendors"	Stanley Robert Teal Hopkins, William Jeremy Davies and Pearl Lorraine Jackson

Matrix Healthcare plc

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Gossard House, 7-8 Savile Row, London W1S 3PE on 11 February 2004 at 9.30 a.m. to consider and, if thought fit, pass the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

Ordinary Resolution

1. THAT the proposed acquisition ("Acquisitions") by the Company of the whole of the issued share capitals of Woodland Healthcare Limited and Newsham House Limited on the terms and conditions of the respective agreements both dated 19 January 2004 and entered into by the Company (1) and William Jeremy Davies others (2) and by the Company (1) and Stanley Robert Teal Hopkins and others (2) ("Agreements"), a copy of each of which, initialled by the Chairman for the purposes of identification, has been produced to the meeting and which was described in the admission document dated 19 January 2004 be and is hereby approved and that pursuant thereto the board of directors of the Company (or a duly constituted committee of the board) be and is hereby authorised to waive, amend, vary or extend any of the terms and conditions of either of the Acquisitions or the Agreements (but not to any material extent) and do all such things as it may consider necessary or desirable in relation to the Acquisitions.

Special Resolution

2. THAT, conditional upon the passing of resolution 1 set out in the Notice convening this Extraordinary General Meeting and subject to, conditional upon and with effect from the admission of the whole of the ordinary share capital of the Company both currently in issue and to be issued on completion of the Acquisitions (as that term is defined in the admission document dated 19 January 2004 ("Admission Document")) to trading on AIM becoming effective in accordance with paragraph 6 of the AIM Rules:

   2.1 the name of the Company be changed to ADL plc;

   2.2 the authorised share capital of the Company be and is hereby increased by £425,000 by the creation of an additional 8,500,000 new ordinary shares of 5p each to rank *pari passu* in all respects with the existing ordinary shares of 5p each;

   2.3 for the purposes of section 80 of the Companies Act 1985 ("the Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):

      (i) the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum aggregate nominal amount of £499,465.3 to such persons and at such times and on such terms as they think proper during the period expiring at the end of five years from the date of the passing of this resolution; and

      (ii) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this sub-paragraph 2.3 of this resolution;

   and so that all previous authorities of the Directors pursuant to the said section 80 (save to the extent that they have been exercised or agreed to be exercised prior to this resolution becoming effective) be and are hereby revoked;

2.4 the directors be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94 of the Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) pursuant to sub-paragraph 2.3 of this resolution as if section 89(1) of the Act did not apply to such allotment, provided that the power conferred by this sub-paragraph 2.4 of this resolution shall be limited to:

(i) the allotment of equity securities to a maximum aggregate nominal amount of £256,250 pursuant to or in connection with the Acquisitions (as defined in the Admission Document);

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities and other persons entitled to participate therein where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them (or, as appropriate, the respective amounts of equity securities which such other persons are for those purposes deemed to hold) on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise; and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to a maximum aggregate nominal amount of £76,018;

and so that this power, unless renewed or revoked, shall expire at the end of five years from the date of the passing of this resolution but shall extend to the making, before such expiry, or any offer or agreement which would or might require equity securities to be allotted in pursuance of such offer or agreement as if the power conferred hereby had not expired and the directors may allot equity securities in pursuance of any such offer or agreement, notwithstanding the expiry of the power given pursuant to this sub-paragraph 2.4 of this resolution and so that all previous powers of the Directors pursuant to the said section 95 (save to the extent that they have been exercised or agreed to be exercised prior to this resolution becoming effective) be and are hereby revoked; and

2.5 pursuant to section 9 of the Act, the articles of association of the Company be and are hereby deleted in their entirety and the regulations contained in the document submitted to the meeting and for the purpose of identification signed by the Chairman be and are hereby approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company.

Registered Office:
Gossard House
7-8 Savile Row
London W1S 3PE

BY ORDER OF THE BOARD

M Osborne
Company Secretary

19 January 2004

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member of the Company. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting or any adjournment thereof in person.
2. A form of proxy, to be valid, must be signed and lodged with the registrars of the Company, Capita Registrars, (Proxy Dept), P.O. Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time appointed for the meeting or any adjournment thereof, together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified office copy of such power or authority.

3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
4. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares registered at 6.00 p.m. on 9 February 2004 will be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Subsequent changes to the register will be disregarded in determining the right of any person to attend and vote at the meeting.
6. During, and for a period of 15 minutes prior to the meeting, the proposed new articles of association will be available for inspection at the place of the meeting.

APPENDIX I

MATRIX HEALTHCARE PLC
STATUTORY FINANCIAL STATEMENTS

for the year ended 30 September 2003

Contents

Directors and advisers

Directors	P Dewe-Mathews R Lywood J Spiers
Secretary	M Osborne
Head Office	North Heath Chieveley Berkshire RG20 8UD
Company Number	2463465
Auditors	Deloitte & Touche LLP 1 City Square Leeds LS1 2AL
Nominated Adviser and Broker	Durlacher Limited 4 Chiswell Street London EC1Y 4UP
Bankers	Barclays Bank plc 2nd Floor, Chatsworth House 66-70 St Mary Axe London EC3A 8BD
Solicitors	DLA Princes Exchange Princes Square Leeds LS1 4BY
Registered Office	Gossard House 7-8 Savile Row London W1S 3PE
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Chairman's Statement

Dear Shareholder

In the year to 30 September 2003 your company made a profit after taxation, before the exceptional item, of £45,000 compared with a profit of £19,000 in the previous year and operating margins before exceptional items increased to 25 per cent. from 22 per cent. During the year the Directors completed a review of the carrying value of the Company's homes, which has resulted in the reversal of the impairment loss and the values of the homes have been increased to £4 million. Profit on ordinary activities before taxation increased to £661,000 as compared to a loss of £518,000 in the previous year, primarily as a result of the reversal of this impairment loss.

In my statement accompanying the interim results for the six months ended 31 March 2003, I confirmed that "your Directors will continue to focus on seeking a buyer for the Company's assets at the appropriate time". In August 2003, Jeremy Davies and Richard Ellert ("the Davies and Ellert Concert Party") approached the Board with a proposal to purchase Best Investment's Matrix Convertible Loan Stock and reverse Newsham House Limited and Woodland Healthcare Limited into the Company. The Board received a number of expressions of interest in the Company's assets at a similar or lower value to the offer but none of the others offered Matrix Shareholders the opportunity to take cash now or to remain as Matrix Shareholders within the enlarged group.

Details of the proposals to reverse Newsham House Limited and Woodland Healthcare Limited into the Company are set out in the circular dated 19 January 2004. Details of the offer to be made to Matrix Shareholders by the Davies and Ellert Concert Party are set out in the offer document dated 19 January 2004.

As a result of the conversion of the £900,000 Matrix Convertible Loan Stock, the extraordinary general meeting previously convened for 11.30 a.m. on 30 January 2004 will be adjourned indefinitely as the business which was to be considered at that extraordinary general meeting no longer bears any relevance.

The Board believes that the acquisitions and the offer are in the best interests of Matrix Shareholders. The Board also took note of the fact that, for Matrix Shareholders who do not wish to accept the offer, following completion of the acquisitions, the enlarged group will have greater critical mass, a new executive management team, new £9.75 million banking facilities and a growth strategy.

In reaching their decision, the Board took note of the fact that the Davies and Ellert Concert Party would incur an obligation pursuant to Rule 9 of the City Code to make a mandatory cash offer of 40p per Matrix Ordinary Share for the remainder of the Share Capital of the Company that they do not already own. This would give Matrix Shareholders the opportunity to sell their shares at 40p per Matrix Ordinary Share, the price paid today by Jeremy Davies and Richard Ellert to Best Investment and myself for 2,727,272 Matrix Ordinary Shares.

There are two potential courses of action that a Shareholder can take in relation to the offer:

Having regard to the acquisitions and factors set out in the offer document dated 19 January 2004 relating to the enlarged group's on-going business, growth strategy and new executive management team, a Matrix Shareholder may take the view that the offer, at 40p per Matrix Ordinary Share in cash, does not represent best value at this time and that there may be value in following the enlarged group's strategy. With 10 care homes, the enlarged group will have greater critical mass than the existing business of Matrix. In addition, with £9.75 million of banking facilities on completion and the new executive management team, the enlarged group may therefore be better placed to enhance shareholder value than the existing Matrix business. A Matrix Shareholder who accepts these arguments is advised by the Directors to reject the offer and remain a Matrix Shareholder. A Matrix Shareholder who rejects the offer should bear in mind the risk factors set out in Part II of the circular sent to Matrix Shareholders dated 19 January 2004.

A Matrix Shareholder who does not accept the enlarged group's strategy to enhance or create shareholder value or who simply wishes to take 40p per Matrix Ordinary Share in cash now is advised by the Directors to accept the offer of 40p per Matrix Ordinary Share in cash because they believe the terms of the offer to be fair and reasonable. A Matrix Shareholder who wishes to accept the offer and who invested in Matrix Ordinary Shares through the Business Expansion Scheme and/or the Enterprise Investment Scheme is strongly advised to seek advice on his/her personal taxation position from a suitably qualified professional under the Financial Services and Markets Act 2000.

As summarised above, the Directors consider that the course of action that a Matrix Shareholder should take in relation to the offer depends upon their commercial assessment of the enlarged group, their desire for cash now and their personal taxation circumstances.

Peter Dewe-Mathews
Chairman

19 January 2004

Directors' report

For the year ended 30 September 2003

Financial Statements

The Directors present their report and the audited financial statements for the year ended 30 September 2003.

Principal activities and review of the business

The principal activity of the Group is the owning and managing of nursing homes. A review of the business is included in the Chairman's statement on pages 2 and 3.

Results and dividends

The Group profit for the year after taxation amounted to £609,000. The Directors are unable to recommend the payment of a dividend.

Directors and Directors' interests in shares

The Directors who held office during the year and their interests in the shares of the Company at the start and end of the year under review were as follows:

	30 September 2003 Beneficial		*30 September 2002 Beneficial*	
	Ordinary shares of 5p each	*Deferred shares of 5p each*	*Ordinary shares of 5p each*	*Deferred shares of 5p each*
Peter Dewe-Mathews	90,000	810,000	90,000	810,000
Rupert Lywood	5,001	9	1	9
Best Investment Limited	337,900*	3,041,100*	337,900*	3,041,100*

* John Spiers has a controlling interest in Best Investment Limited.

There are no non-beneficial shareholdings.

Subsequent events

On 19 January 2004 the holders of the 10 per cent. convertible loan stock converted their holdings into 2,727,272 5p ordinary shares in the Company. These shares were subsequently acquired by the Davies and Ellert Concert Party.

Substantial shareholdings

At the date of this report, the Company had been notified of the following interests of 3 per cent. or more in its issued share capital:

	Number of shares		*Percentage of issued share capital*	
	Ordinary	*Deferred*	*Ordinary*	*Deferred*
The Davies and Ellert Concert Party	2,727,272	—	54.4%	—
Best Investment Limited	337,900	3,041,000	6.7%	14.8%
S Jagsi	151,500	954,531	3.0%	4.6%
P Dewe-Mathews	90,000	810,000	1.8%	3.9%
R F Burchett	80,000	720,000	1.6%	3.5%
W G Barb	72,000	648,000	1.4%	3.1%

Statement of Directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the

Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

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

Policy on payments to suppliers

The Company's policy is to pay suppliers generally at the end of the month following that in which the supplier's invoice is received. This policy is made known to the staff, who handle payments to suppliers and is made known to all suppliers on request. Trade creditors of the Company at 30 September 2003 expressed in relation to the total amounts invoiced by suppliers for services during the year were equivalent to 59 days (2002: 37 days).

Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Mark Osborne
Secretary

19 January 2004

Registered Office
Gossard House
7-8 Savile Row
London W1S 3PE

Independent auditors' report

To the members of Matrix Healthcare plc

We have audited the financial statements of Matrix Healthcare plc for the year ended 30 September 2003 which comprise the Profit and loss account, Balance sheets, Cash flow statement, Statement of total recognised gains and losses and the related notes numbered 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Directors' report. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement and Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the Group at 30 September 2003 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds
19 January 2004

Group profit and loss account

For the year ended 30 September 2003

	Notes	*2003* *£'000*	*2002* *£'000*	*2001* *£'000*
Turnover	2	2,405	2,559	2,779
Cost of sales		(1,797)	(1,994)	(2,177)
Gross profit		608	565	602
Administrative expenses — ordinary		(288)	(266)	(297)
Administrative expenses — exceptional	3	564	(539)	—
Operating profit/(loss)		884	(240)	305
Interest payable and similar charges	7	(223)	(278)	(299)
Profit/(loss) on ordinary activities before taxation		661	(518)	6
Taxation	8	(52)	(2)	—
Profit/(loss) after taxation and retained for the year	19	609	(520)	6
Earnings/(loss) per share	9	26.7p	(22.7)p	0.3p
Diluted earnings/(loss) per share	9	13.5p	(22.7)p	0.3p

All operations of the Group continued throughout the periods and no operations were acquired or discontinued.

Group statement of total recognised gains and losses

For the year ended 30 September 2003

	2003 *£'000*	*2002* *£'000*	*2001* *£'000*
Profit/(loss) for the financial year	609	(520)	6
Deficit on revaluation	—	(31)	—
Total recognised gains and losses for the year	609	(551)	6

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

Group balance sheet

As at 30 September 2003

	Notes	2003 £'000	2002 £'000	2001 £'000
Fixed assets				
Tangible assets	10	4,000	3,500	4,106
Current assets				
Stocks	12	6	6	9
Debtors	13	137	128	161
Cash at bank and in hand		1	1	1
		144	135	171
Creditors: amounts falling due within one year	14	(1,791)	(1,782)	(745)
Net current liabilities		(1,647)	(1,647)	(574)
Total assets less current liabilities		2,353	1,853	3,532
Creditors: amounts falling due after more than one year including convertible debt	15	(1,112)	(1,246)	(2,374)
Provisions for liabilities and charges	17	(25)	—	—
Net assets		1,216	607	1,158
Capital and reserves				
Called up share capital	18	1,142	1,142	1,142
Share premium account	19	1,242	1,242	1,242
Revaluation reserve	19	—	—	32
Profit and loss account	19	(1,168)	(1,777)	(1,258)
Shareholders' funds (including non-equity interests)	20	1,216	607	1,158

The financial statements on pages 7 to 20 were approved by the Board on 19 January 2004 and signed on its behalf by:

Peter Dewe-Mathews
Director

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

Company balance sheet

As at 30 September 2003

	Notes	*2003* *£'000*	*2002* *£'000*	*2001* *£'000*
Fixed assets				
Tangible assets	10	4,000	3,500	4,106
Current assets				
Stocks	12	6	6	9
Debtors	13	218	209	242
Cash at bank and in hand		1	1	1
		225	216	252
Creditors: amounts falling due within one year	14	(1,872)	(1,863)	(826)
Net current liabilities		(1,647)	(1,647)	(574)
Total assets less current liabilities		2,353	1,853	3,532
Creditors: amounts falling due after more than one year including convertible debt	15	(1,112)	(1,246)	(2,374)
Provisions for liabilities and charges	17	(25)	—	—
Net assets		1,216	607	1,158
Capital and reserves				
Called up share capital	18	1,142	1,142	1,142
Share premium account	19	1,242	1,242	1,242
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Shareholders' funds (including non-equity interests)	20	1,216	607	1,158

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Peter Dewe-Mathews
Director

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

Group cashflow statement

For the year ended 30 September 2003

	Notes	*2003* *£'000*	*2002* *£'000*	*2001* *£'000*
Net cash inflow from operating activities	22	422	400	466
Returns on investments and servicing of finance	23	(207)	(238)	(269)
Capital expenditure and financial investment	23	(22)	(47)	(40)
Cash inflow before financing		193	115	157
Financing	23	(289)	(333)	256
(Decrease)/increase in cash during the year		(96)	(218)	413
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash during the year		(96)	(218)	413
Cash outflow/(inflow) from decrease/(increase) in debt		289	333	(256)
Change in net debt resulting from cash flows	24	193	115	157
Amortisation of issue costs on unsecured loan stock	24	(16)	(40)	(30)
Movement in net debt during the year		177	75	127
Net debt at start of year	24	(2,785)	(2,860)	(2,987)
Net debt at end of year	24	(2,608)	(2,785)	(2,860)

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

Notes to the financial statements

For the year ended 30 September 2003

1. Accounting policies

The principal accounting policies of the Group are set out below.

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards.

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of Matrix Healthcare plc and its subsidiary undertakings made up to 30 September each year.

(c) Turnover

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

(d) Tangible fixed assets and depreciation

Tangible assets are stated at cost or valuation plus any incidental costs of acquisition less any provision for impairment. Depreciation is provided on all assets other than freehold land 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:

Freehold buildings	2%
Equipment and furnishings	10%
Motor Vehicles	25%

(e) Revaluation of properties

The group has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of certain freehold properties and equipment that were revalued prior to implementation of that standard. The properties were last professionally revalued at 30 September 1999 and that valuation was updated by the directors at 30 September 2003.

(f) 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.

(g) Hire purchase

Assets acquired under hire purchase agreements are treated as fixed assets and amortised over their expected useful life. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

(h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

(i) Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Where the finance costs for non-equity shares and non-equity minority interests are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits.

(j) Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Convertible debt is reported as a liability unless conversion actually occurs. No gain or loss is recognised on conversion.

2. 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.

3. Exceptional item

During the year the directors have reviewed the carrying value of the Group's fixed assets. The exceptional credit of £564,000 arising during the year results from the reversal of a previous impairment recorded in the prior year.

4. Operating profit/(loss)

The operating profit/(loss) is stated after charging	*2003*	*2002*	*2001*
	£'000	*£'000*	*£'000*
– freehold properties	31	31	27
– equipment and furnishings	52	49	50
– motor vehicles	3	3	2
Auditors' remuneration			
– audit fee	20	20	19
– non audit services	3	3	4

5. Directors

No director received any payment for their services as a director in either the current or prior year.

6. Employees

(a) Employment costs	*2003*	*2002*	*2001*
	£'000	*£'000*	*£'000*
Wages and salaries	1,220	1,322	1,556
Social security costs	71	68	83
	1,291	1,390	1,639

(b) Number of employees

The average number of full time equivalent personnel employed by the Group was as follows:

	2003	*2002*	*2001*
Management and administration	6	6	6
Catering and Maintenance	17	31	35
Engaged in the provision of care	97	102	121
	120	139	162

7. Interest

	2003 £'000	2002 £'000	2001 £'000
Interest payable			
On bank loans and overdrafts repayable wholly or partly within 5 years	133	188	199
Other loans	—	—	7
10% Convertible loan stock	90	90	93
	223	278	299

8. Taxation

	2003 £'000	2002 £'000	2001 £'000
UK Corporation Tax at 19% (2002: 20%; 2001: 20%)	27	2	—
Deferred tax — accelerated capital allowances	25	—	—
	52	2	—

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2003 £'000	2002 £'000	2001 £'000
Profit on ordinary activities before tax	661	(518)	6
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2002: 20%; 2001: 20%)	125	(104)	2
Effects of:			
Expenses not deductible for tax purposes	9	116	9
Revaluation of property	(107)	—	—
Depreciation in excess of capital allowances	—	—	(2)
Utilisation of tax losses	—	(10)	(9)
Current tax charge for period	27	2	—

9. Earnings per share

Earnings per share has been calculated by dividing profit on ordinary activities after taxation of £609,000 (2002: loss of £520,000; 2001: profit of £6,000) by the weighted average number of ordinary shares in issue during the year of 2,283,422 (2002: 2,283,422; 2001: 2,283,422). Diluted earnings per share figures reflect the conversion of loan stock to shares.

10. Tangible fixed assets

	Freehold land and buildings £'000	*Equipment and furnishings £'000*	*Motor vehicles £'000*	*Total £'000*
Group and Company				
Cost/Valuation				
1 October 2001	4,620	801	11	5,432
Additions	2	45	—	47
1 October 2002	4,622	846	11	5,479
Additions	—	22	—	22
30 September 2003	4,622	868	11	5,501
Depreciation				
1 October 2001	853	468	5	1,326
Charge for the year	31	49	3	83
Impairment	570	—	—	570
1 October 2002	1,454	517	8	1,979
Revaluation	(557)	(7)	—	(564)
Charge for the year	31	52	3	86
30 September 2003	928	562	11	1,501
Net book value				
30 September 2001	3,767	333	6	4,106
30 September 2002	3,168	329	3	3,500
30 September 2003	3,694	306	—	4,000
Historical cost net book value				
30 September 2001	3,735	336	6	4,077
30 September 2002	3,168	329	3	3,500
30 September 2003	3,701	299	—	4,000

Freehold land amounting to £1,170,000 has not been depreciated.

The directors revalued the properties at 30 September 2003. The revalued amounts are considered to be in accordance with prevailing market values.

11. Fixed asset investments

The Group has the following non-trading subsidiary undertakings both of which are registered in England and Wales.

Name	*Description of shares held*	*Proportion held*
Barleyglow Ltd	Ordinary Shares	100%
The Knoll Nursing Home Ltd	Ordinary Shares	100%

12. Stocks

	2003 £'000	*2002 £'000*	*2001 £'000*
Group and Company			
Consumables and medical supplies	6	6	9

13. Debtors

	Group			Company		
	2003	*2002*	*2001*	*2003*	*2002*	*2001*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Trade debtors	115	109	140	115	109	140
Other debtors	—	8	12	—	8	12
Amounts owed by subsidiary undertakings	—	—	—	81	81	81
Prepayments	22	11	9	22	11	9
	137	128	161	218	209	242

14. Creditors: amounts falling due within one year

	Group			Company		
	2003	*2002*	*2001*	*2003*	*2002*	*2001*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Bank loans and overdrafts	600	650	484	600	650	484
10% convertible loan stock	897	890	—	897	890	—
Trade creditors	100	60	62	100	60	62
Corporation tax	20	—	—	20	—	—
Other taxes and social security costs	22	19	16	22	19	16
Hire purchase creditor	—	—	3	—	—	3
Accruals and deferred income	152	163	180	152	163	180
Amounts owed to subsidiary undertakings	—	—	—	81	81	81
	1,791	1,782	745	1,872	1,863	826

15. Creditors: amounts falling due after more than one year

	2003	*2002*	*2001*
	£'000	*£'000*	*£'000*
Group and Company			
Bank loans	1,112	1,246	1,524
10% convertible loan stock	—	—	850
	1,112	1,246	2,374

16. Hire Purchase Creditor, Bank loans and overdrafts, other loans and unsecured loan stock

	2003	*2002*	*2001*
	£'000	*£'000*	*£'000*
Group and Company			
Borrowings are repayable as follows:			
Hire purchase creditor			
Within one year	—	—	3
Bank loans and overdrafts			
Between one and two years	115	136	283
Between two and five years	387	379	376
In five years or more	610	731	865
	1,112	1,246	1,524
Within one year and repayable on demand	600	650	484
	1,712	1,896	2,008

The bank loans and overdrafts are secured by fixed charges on the Group's properties and floating charges over the assets of the Group.

10% convertible loan stock	*2003*	*2002*	*2001*
	£'000	*£'000*	*£'000*
Within one year	897	890	—
Between one and two years	—	—	850

On 16 January 2001, convertible loan stock was issued. On 31 January 2003, the shareholders agreed to extend the maturity date for conversion of the loan stock by one year from 31 January 2003 to 31 January 2004.

16. Bank loans and overdrafts, and unsecured loan stock

The Group's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade debtors, trade creditors etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The interest rate profile of the financial liabilities was as follows:

	2003	*2002*	*2001*
	£'000	*£'000*	*£'000*
Floating rate	1,712	1,896	801
Fixed rate	897	890	2,060
Total	2,609	2,786	2,861

The interest rate on floating rate financial liabilities is 2 per cent. to 3.00 per cent. above LIBOR. The interest rate of fixed rate liabilities is as follows:

	2003	*2002*	*2001*
Weighted average interest rate	10%	10%	10%
Weighted average period for which rate is fixed	0.33 years	0.33 years	0.84 years

The fair value (based on market interest rates) of the unsecured loan stock at 30 September 2003 was £912,000 (2002: £914,000; 2001: £924,000).

The Group finances its operations through a mixture of retained profits, bank borrowings and convertible loan stock.

Short term debtors and creditors have been excluded for the purposes of the FRS 13 disclosure requirements.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group does not make use of derivative financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest Rate Risk

During the prior year the Group's fixed rate bank borrowings matured. This presented an opportunity to review the Group's interest rate policy and it was decided to maintain between 0 per cent. and 50 per cent. of its borrowings at fixed rates of interest. At the year end 34 per cent. of the Group's borrowings were at fixed rates.

Liquidity Risk

As regards liquidity, the Group's policy has throughout the year been to ensure continuity of funding. In order that this is achieved, the Group maintains close control over future cashflows and regularly reviews medium and long-term finance against those future cashflows. At the year-end, 15 per cent. of the groups borrowings were due to mature after more than two but less than five years and 23 per cent. of the group's borrowings were due to mature in more than five years.

Short-term flexibility is achieved by overdraft facilities.

17. Provision for liabilities and charges — deferred tax

Group and Company

	2003 *£'000*	*2002* *£'000*	*2001* *£'000*
Provided — accelerated capital allowances	25	—	—

There is no unprovided deferred tax.

18. Called up share capital

	2003 *£'000*	*2002* *£'000*	*2001* *£'000*
(a) Authorised — Equity shares			
6,500,000 (2002: 6,500,000) ordinary shares of 5p each	325	325	325
Authorised — Non-equity shares			
45,000,000 (2002: 45,000,000) deferred shares of 5p each	2,250	2,250	2,250
	2,575	2,575	2,575
(b) Allotted, called-up and fully paid — Equity shares			
2,283,422 (2002: 2,283,422) ordinary shares of 5p each	114	114	114
Allotted, called-up and fully paid — Non-equity shares			
20,550,798 (2002: 20,550,798) deferred shares of 5p each	1,028	1,028	1,028
	1,142	1,142	1,142

The deferred shares, issued in January 2001, are considered to be non-equity shares since they carry no voting rights, no rights to receive a dividend and have no value in a winding up unless ordinary share valuation exceeds £1,000 per share. Whilst they are stated in the financial statements at their nominal value, they have no commercial value.

On 19 January 2004 the Company issued 2,727,272 new 5p ordinary shares in consideration for the conversion of the 10 per cent. convertible loan stock.

19. Reserves

	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
(a) Group:				
1 October 2001	1,242	32	(1,258)	16
Retained loss for year	—	—	(520)	(520)
Impairment	—	(31)	—	(31)
Transfer	—	(1)	1	—
1 October 2002	1,242	—	(1,777)	(535)
Retained profit for year	—	—	609	609
30 September 2003	1,242	—	(1,168)	74
(b) Company:				
1 October 2001	1,242	32	(1,258)	16
Retained loss for year	—	—	(520)	(520)
Impairment	—	(31)	—	(31)
Transfer	—	(1)	1	—
1 October 2002	1,242	—	(1,777)	(535)
Retained profit for year	—	—	609	609
30 September 2003	1,242	—	(1,168)	74

20. Reconciliation of shareholders' funds

	2003 £'000	2002 £'000	2001 £'000
Group and Company			
Opening shareholders' funds	607	1,158	1,152
Profit/(loss) for the year	634	(520)	6
Reduction in revaluation reserve	—	(31)	—
Closing shareholders' funds	1,241	607	1,158

Included within shareholders' funds is £1,028,000 (2002: £1,028,000; 2001 £1,028,000) relating to non-equity interests.

21. Profit of parent Company

The profit on ordinary activities after taxation dealt with in the financial statements of the parent Company was £609,000 (2002: loss of £520,000; 2001: profit of £6,000). As permitted by the Companies Act 1985, a separate profit and loss account for the parent Company has not been presented.

22. Reconciliation of operating profit/(loss) to operating cash flows

	2003 £'000	2002 £'000	2001 £'000
Operating profit/(loss)	884	(240)	305
Exceptional item — revaluation/impairment of fixed assets	(564)	539	—
Depreciation	86	83	79
Decrease in stocks	—	3	5
(Increase)/Decrease in debtors	(17)	33	15
(Decrease)/Increase in creditors	33	(18)	62
Net cash inflow from operating activities	422	400	466

23. Analysis of cash flows for headings netted in the cashflow statement

	2003	*2002*	*2001*
	£'000	*£'000*	*£'000*
Returns on investments and servicing of finance			
Interest paid	(207)	(238)	(269)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(22)	(47)	(40)
Financing			
Repayment of existing loans	(289)	(330)	(561)
Issue of new loan	—	—	820
Hire purchase	—	(3)	(3)
	(289)	(333)	256

24. Analysis of net debt — current year

	At 1 October 2002	*Cash flow*	*Other non cash flows*	*At 30 September 2003*
	£'000	*£'000*	*£'000*	*£'000*
Cash at bank and in hand	(1)	—	—	(1)
Bank overdrafts	363	105	—	468
		105		
Bank loans due after one year	1,246	(134)	—	1,112
Bank loans due within one year	287	(155)	—	132
10% convertible loan stock	890	(9)	16	897
	2,785	(193)	16	2,608

Analysis of net debt — prior year

	At 1 October 2001	*Cash flow*	*Other non cash flows*	*At 30 September 2002*
	£'000	*£'000*	*£'000*	*£'000*
Cash at bank and in hand	(1)	—	—	(1)
Bank overdrafts	145	218	—	363
		218		
Bank loans due after one year	1,524	(278)	—	1,246
Bank loans due within one year	339	(52)	—	287
Finance lease due within one year	3	(3)	—	—
10% convertible loan stock	850	—	40	890
	2,860	(115)	40	2,785

25. Related party transactions

The Company pays £10,200 per annum to Mrs P.J. Dewe-Mathews (the wife of P. Dewe-Mathews) for rent of the Company's head office.

The unsecured loan stock referred to in notes 14, 15 and 16 is held by P. Dewe-Mathews, a director of the company, and Best Investment Limited in which John Spiers, a director of the company, has a controlling interest.

26. Subsequent events

On 19 January 2004 the holders of the 10 per cent. convertible loan stock converted their holdings into 2,727,272 5p ordinary shares in the Company. These shares were subsequently acquired by the Davies and Ellert Concert Party.

Notice of the annual general meeting

Notice is hereby given that the annual general meeting of the Company will be held at Gossard House, 7-8 Savile Row, London W1S 3PE on 11 February 2004 at 9.40 a.m. (or such later time as the extraordinary general meeting shall have concluded or been adjourned) for the following purposes:

Ordinary Business

1. To receive the Directors' report and financial statements of the Company for the year ended 30 September 2003 together with the Auditors' report thereon.
2. To re-appoint Deloitte & Touche LLP as Auditors to the Company to hold office until the conclusion of the next general meeting before which financial statements are laid and to authorise the Directors to set their remuneration.
3. To appoint Jeremy Davies as a Director.
4. To appoint Richard Ellert as a Director.
5. To appoint Pearl Jackson as a Director.

By Order of the Board

Mark Osborne
Secretary

19 January 2004

Registered Office
Gossard House
7-8 Savile Row
London W1S 3PE

Notes

1. A person entitled to receive notice of, and attend and vote at, the above meeting may appoint a proxy to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be deposited with the Company's Registrars, Capita Registrars, (Proxy Dept), P.O. Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time appointed for the meeting or adjourned meeting. Completion and return of the form of proxy will not prevent the holder from attending the meeting and voting in person should he wish to do so.
2. To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his name entered in the register of members of the Company by no later than 6.00 p.m. on 9 February 2004. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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