

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the Offer, or as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Matrix Ordinary Shares, please send this document together with the accompanying Form of Acceptance and the reply-paid envelope to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia or Japan or into any other jurisdiction if to do so would constitute a violation of the relevant laws in such other jurisdiction. If you have sold or transferred only part of your holding of Matrix Ordinary Shares, you should retain these documents.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia or Japan. Accordingly, this document, the accompanying Form of Acceptance and any related documents are not being, and must not be, mailed or otherwise distributed or sent in or into or from, the United States, Canada, Australia or Japan. The availability of the Offer to persons outside the United Kingdom may be affected by the laws of other jurisdictions. Such persons should inform themselves about and observe any applicable requirements of those jurisdictions. Further information for overseas Matrix Shareholders is set out in paragraph 5 of Part A of Appendix I to this document.

This document should be read in conjunction with the accompanying Form of Acceptance and the accompanying Circular.

MANDATORY CASH OFFER
by
Nabarro Wells & Co. Limited
on behalf of the
Davies and Ellert Concert Party
for
Matrix Healthcare plc

A letter from the Chairman of Matrix appears in Part I of this document.

If you are a CREST sponsored member, you should refer to your CREST sponsor before completing the Form of Acceptance as only your CREST sponsor will be able to send the necessary TTE instructions to CRESTCo.

To accept the Offer, whether or not your shares are in CREST, the Form of Acceptance must be completed and returned as soon as possible and, in any event, so as to be received by post or (during normal business hours only) by hand to Capita IRG Plc, The Registry, Corporate Actions, PO Box 166, 34 Beckenham Road, Beckenham, Kent BR3 4TH no later than 3.00 p.m. on 26 February 2004.

THE PROCEDURE FOR ACCEPTANCE OF THE OFFER IS SET OUT ON PAGES 12 TO 16 OF THIS DOCUMENT AND IN THE FORM OF ACCEPTANCE.

Nabarro Wells, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Davies and Ellert Concert Party in connection with the Offer and will not be responsible to anyone other than Jeremy Davies and Richard Ellert for providing the protections afforded to customers of Nabarro Wells, or for giving advice in relation to the Offer or the contents of this document. No representation or warranty, express or implied, is made by Nabarro Wells as to any of the contents of this document.

Durlacher, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Matrix in connection with the Offer and will not be responsible to anyone other than Matrix for providing the protections afforded to customers of Durlacher or for giving advice in relation to the Offer or the contents of this document. No representation or warranty, express or implied, is made by Durlacher as to any of the contents of this document.

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PART I

LETTER FROM THE CHAIRMAN OF MATRIX HEALTHCARE PLC

*(Incorporated in England and Wales under the Companies Act 1985 (as amended)
with registered number 2463465)*

Directors:
Peter Dewe-Mathews (*Chairman*)
John Spiers (*Director*)
Rupert Lywood (*Director*)

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

19 January 2004

To the Matrix Shareholders

Dear Sir or Madam,

MANDATORY CASH OFFER BY THE DAVIES AND ELLERT CONCERT PARTY FOR MATRIX

1. Introduction

Earlier today, Jeremy Davies and Richard Ellert announced that they had acquired 2,727,272 Existing Matrix Ordinary Shares at 40p per share, representing approximately 54.4 per cent. of Matrix's Share Capital. These Matrix Ordinary Shares result from the conversion today by Best Investment Limited and myself of our holdings of £850,000 and £50,000 Matrix Convertible Loan Stock into 2,575,757 and 151,515 Existing Matrix Ordinary Shares respectively. In January 2001, John Spiers, via Best Investment Limited, and I invested £900,000 in Matrix Convertible Loan Stock in order to capitalise the Company. This conversion of Matrix Convertible Loan Stock and subsequent sale of 2,727,272 Matrix Ordinary Shares therefore represents repayment of our £900,000 Matrix Convertible Loan Stock, which otherwise was due for conversion or redemption by 31 January 2004. Best Investment Limited and myself have not sold our combined holdings of 427,900 Matrix Ordinary Shares, representing approximately 8.5 per cent. of Matrix's Share Capital, that we held prior to conversion of our £900,000 Matrix Convertible Loan Stock.

As a result of the acquisition of the Matrix Ordinary Shares, the Davies and Ellert Concert Party are required to make a mandatory cash offer to acquire all the Matrix Ordinary Shares not owned by them at a price of 40p each. In addition, the acquisition of the Initial Consideration Shares arising from Matrix's acquisition of Newsham and Woodland (as explained in the letter from Nabarro Wells contained in Part II of this document) triggers a further obligation on the Davies and Ellert Concert Party pursuant to Rule 32 of the Code to make a mandatory cash offer to acquire all the Matrix Ordinary Shares not owned by them at a price of 40p each. This further obligation pursuant to Rule 32 is to be satisfied by the extension of the Offer for a period of 14 days from the date of Completion. The terms and extended length of the Offer made by Nabarro Wells on behalf of the Davies and Ellert Concert Party are set out in Part II of this document. I am writing to you today to explain the background to the Offer.

As stated in paragraph 9 below, your Directors and their immediate families and Best Investment Limited have undertaken not to accept the Offer in respect of their entire beneficial shareholdings amounting to 432,901 Matrix Ordinary Shares representing approximately 8.6 per cent. of the Existing Matrix Ordinary Shares.

2. The Offer

The Offer and the action you should take if you wish to accept it are contained in the letter from Nabarro Wells set out in Part II of this document and in the further terms of the Offer, which are set out in Appendix I to this document.

The Offer is being made on the following basis:

for each Matrix Ordinary Share 40p in cash

Based on the cash value of 40p for each Matrix Ordinary Share, the Offer values the Share Capital of Matrix at approximately £2.0 million. The Offer represents a premium of 73.9 per cent. over the closing middle market quotation of 23p for each Matrix Ordinary Share (as derived from the AIM Appendix to the Daily Official List) on 16 January 2004, being the closing price for Matrix Ordinary Shares on the last date prior to the announcement of the Offer by the Davies and Ellert Concert Party. No offer is being made for the Matrix Deferred Shares as they are effectively worthless.

3. Background to and reasons for the Offer

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 Limited’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 Offer and the Proposals are in the best interests of Matrix Shareholders. 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 that they do not already own, both as a result of their purchase of more than 30 per cent. of Matrix’s Share Capital from Best Investment Limited and myself and as a result of their subsequent acquisition of Initial Consideration Shares. This will 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 Limited and myself for 2,727,272 Existing Matrix Ordinary Shares. Best Investment Limited is a company controlled by John Spiers, a Director of Matrix. 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 facility and a growth strategy.

Jeremy Davies and Richard Ellert have been involved in the healthcare sector for many years. In May 1993, they founded NHP Plc, the UK’s only listed property investment group specialising in the purchase and leaseback of care homes, being Estates Director and Chief Executive respectively. Between February 1995 and September 2000, under their direction, NHP acquired 379 care homes, with 19,002 beds, leased to 25 tenants, at a cost of £670 million funded by four issues of shares listed on the London Stock Exchange, totalling £173 million, and £559 million securitised debt listed on the Luxembourg Stock Exchange. Richard Ellert resigned from NHP in August 2000 and Jeremy Davies resigned in November 2001. Since leaving NHP, they have been looking for new opportunities in the healthcare industry.

Further information on the Davies and Ellert Concert Party is set out in paragraph 4 of the letter from Nabarro Wells in Part II of this document.

Further details of the Acquisitions and your Board’s recommendation to Matrix Shareholders in relation to the Acquisitions are set out in Part I of the accompanying Circular, which details the care homes within the Acquisitions and the backgrounds of the Proposed Directors.

4. Effective shareholdings after the Offer and Acquisitions

Information on the holdings of Matrix Ordinary Shares of the Davies and Ellert Concert Party and of Pearl Jackson, the proposed Operations Director, following the purchase of 2,727,272 Matrix Ordinary Shares from Best Investment Limited and myself and following completion of

the Acquisitions are set out in paragraph 4 of the letter from Nabarro Wells in Part II of this document.

5. Current trading

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 levels that has resulted in higher average occupancies and rising weekly fees.

6. Management and employees

The Davies and Ellert Concert Party has confirmed that the existing employment rights, including pension rights, if any, of the management and employees of Matrix will be fully safeguarded. At the Company's Annual General Meeting, it is proposed that I shall become Non-Executive Chairman of the Company, Rupert Lywood and John Spiers will resign as Directors and Jeremy Davies, Richard Ellert and Pearl Jackson, who currently acts as a consultant to Matrix and Woodland, will be proposed for election to the Board as Managing Director, Finance Director and Operations Director respectively. Notice of the Annual General Meeting is set out in the accompanying Circular.

7. Taxation

Your attention is drawn to paragraph 12 headed "United Kingdom taxation consequences of accepting the Offer" in the letter from Nabarro Wells set out in Part II of this document. If you are in any doubt as to your own tax position, or if you are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate independent professional adviser immediately.

8. Action to be taken to accept the Offer

Your attention is drawn to paragraph 13 headed "Procedure for acceptance of the Offer" in the letter from Nabarro Wells set out in Part II of this document and to the accompanying Form of Acceptance, which together set out the procedure for acceptance of the Offer. In order to accept the Offer, you should complete and return the accompanying Form of Acceptance in accordance with the instructions printed on it, whether or not your Matrix Ordinary Shares are held through CREST, by post or (during normal business hours only) by hand, to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to be received as soon as possible and, in any event, not later than 3.00 p.m. on 26 February 2004. If your Matrix Ordinary Shares are in certificated form, the completed Form of Acceptance should be accompanied by the share certificate(s) (and/or other document(s) of title) for your Matrix Ordinary Shares. A reply-paid envelope is enclosed for your use. If you require further assistance on how to complete the Form of Acceptance or require additional copies of the Form of Acceptance, please telephone Capita IRG Plc on 0870 162 3100, or if calling from overseas +44 208 639 2157.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser, duly authorised pursuant to the Financial Services and Markets Act 2000.

9. Directors' opinion on the Offer

Your Directors, who have been so advised by Durlacher, believe that there are two courses of action that Matrix Shareholders can take, either to accept or to reject the Offer. Each Matrix

Shareholder's decision will depend on his/her commercial assessment of the Enlarged Group, his/her desire for cash now and his/her taxation and other circumstances. Your Directors recommend Matrix Shareholders to consult their duly authorised financial adviser before they decide whether or not to accept the Offer. Based upon advice received from Durlacher, your Directors believe that Matrix Shareholders should consider the following factors before making their decision:

- (a) Having regard to the Acquisitions and factors set out in this document and the accompanying Circular relating to the Enlarged Group's on-going business, growth strategy and new executive management team, a Matrix Shareholder may take the view that there may be value in following the Enlarged Group's strategy and retaining their Matrix Ordinary Shares. 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 Admission 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 accompanying Circular.
- (b) 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. Your attention is also drawn to paragraph 12 of Part II of this document headed "United Kingdom taxation consequences of accepting the Offer".

The opinions of the Directors set out in (a) and (b) above are based upon advice received from Durlacher. In providing such advice, Durlacher has taken into consideration the Directors' commercial assessment of the business and the Acquisitions.

Because the Davies and Ellert Concert Party now control the Company, the Offer is unconditional. As a result of the acquisition of the Matrix Ordinary Shares by the Davies and Ellert Concert Party, the Offer will be open until 12 February 2004 and, as a result of the acquisition of the Initial Consideration Shares, pursuant to Rule 32 of the Code, the Offer will be extended from the date of Completion until 26 February 2004, beyond which date the Offer will not be extended. The Davies and Ellert Concert Party intend to maintain the AIM quotation for Matrix Ordinary Shares.

Your Directors and their immediate families and Best Investment Limited have undertaken **not** to accept the Offer in respect of their entire beneficial share holdings amounting to 432,901 Matrix Ordinary Shares in aggregate, representing approximately 8.6 per cent. of the Existing Matrix Ordinary Shares. Matrix Shareholders should note that this means that the Davies and Ellert Concert Party will not become entitled or obliged to acquire compulsorily Matrix Ordinary Shares from Matrix Shareholders who do not accept the Offer and so any Matrix Shareholder who wishes to accept the Offer must do so before 3.00 p.m. on 26 February 2004.

Yours sincerely

Peter Dewe-Mathews
Chairman

PART II

LETTER FROM NABARRO WELLS & CO. LIMITED

*(Incorporated in England and Wales under the Companies Act 1985
with registered number 1950025)*

Saddlers House
Gutter Lane
London
EC2V 6HS

19 January 2004

To the Matrix Shareholders

Dear Sir or Madam,

MANDATORY CASH OFFER ON BEHALF OF THE DAVIES AND ELLERT CONCERT PARTY FOR MATRIX

1. Introduction

Earlier today, Nabarro Wells announced the terms of a mandatory cash offer, acting on behalf of the Davies and Ellert Concert Party, for the Matrix Ordinary Shares not owned by it. This document contains the Offer by Nabarro Wells, acting on behalf of the Davies and Ellert Concert Party, for your Matrix Ordinary Shares.

Your attention is drawn to the letter from the Chairman of Matrix and in particular to paragraph 9 headed "Directors' opinion on the Offer" in Part I of this document, which sets out the Board's opinion on the potential courses of action available to Matrix Shareholders in relation to the Offer. Your attention is also drawn to paragraph 12 of this Part II headed "United Kingdom taxation consequences of accepting the Offer".

The Offer is unconditional and will close on 26 February 2004 and will not be extended. The Davies and Ellert Concert Party intend to retain the AIM quotation for Matrix Ordinary Shares. Immediately following the closing of the Offer and following Completion of the Acquisitions, Jeremy Davies will own 3,789,772 Matrix Ordinary Shares (42.6 per cent.), Richard Ellert will own 1,250,000 Matrix Ordinary Shares (14.1 per cent.) and Pearl Jackson will own 1,000,000 Matrix Ordinary Shares (11.3 per cent.) amounting in aggregate 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.

The Matrix Directors and their immediate families and Best Investment Limited have undertaken not to accept the Offer in respect of their entire beneficial shareholdings amounting in aggregate to 432,901 Matrix Ordinary Shares representing approximately 8.6 per cent. of the Existing Matrix Ordinary Shares.

Matrix Shareholders should note that this means that the Davies and Ellert Concert Party will not become entitled or obliged to acquire compulsorily Matrix Ordinary Shares from Matrix Shareholders who do not accept the Offer and so any Matrix Shareholder who wishes to accept the Offer must do so before 3.00 p.m. on 26 February 2004.

2. The Offer

On behalf of the Davies and Ellert Concert Party, Nabarro Wells hereby offers to acquire, on the terms set out or referred to in this document and the accompanying Form of Acceptance, all of the Matrix Ordinary Shares not already owned by the Davies and Ellert Concert Party on the following basis:

for each Matrix Ordinary Share 40p in cash

Based on the cash value of 40p for each Matrix Ordinary Share, the Offer values the Share Capital of Matrix at approximately £2.0 million. The Offer represents a premium of 73.9 per cent. over the closing middle market quotation of 23p for each Matrix Ordinary Share (as derived from the AIM Appendix to the Daily Official List) on 16 January 2004, being the closing price for Matrix Ordinary Shares on the last date prior to the announcement of the Offer by the Davies and Ellert Concert Party. No offer is being made for the Matrix Deferred Shares, which are effectively worthless.

3. Further details of the Offer

The Matrix Ordinary Shares to be acquired pursuant to the Offer are to be acquired credited as fully paid and free from all liens, equities, charges, encumbrances and other interests and together with all rights attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or paid thereafter.

Further terms of the Offer are set out in Appendix I to this document and in the accompanying Form of Acceptance.

4. Information on the Davies and Ellert Concert Party and on Pearl Jackson

Details of Jeremy Davies', Richard Ellert's and Pearl Jackson's current and past directorships are set out in paragraph 2(c) of Appendix IV to this document.

Jeremy Davies and Richard Ellert have been involved in the healthcare sector for many years. Set out below are details of their careers together with Pearl Jackson's.

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.

Since Jeremy Davies' and Richard Ellert's departure from NHP, they have been looking for other opportunities in the healthcare industry. The purchase today of 2,727,272 Existing Matrix Ordinary Shares, from Best Investment Limited, a company controlled by John Spiers — a Director of Matrix and Peter Dewe-Mathews, represents the first stage of building a new care home group. These 2,727,272 Existing Matrix Ordinary Shares were issued to Best Investment Limited and Peter Dewe-Mathews today upon conversion of their Matrix Convertible Loan Stock.

Jeremy Davies and others have today conditionally sold Newsham and Woodland to Matrix. Jeremy Davies owns 70 per cent. of the share capital of Newsham and Jeremy Davies and Pearl Jackson will prior to Completion each own 33 per cent. of the share capital of Woodland. Details of the Acquisition Agreements are set out in paragraph 4(b) of Appendix IV to this document.

It is proposed that Jeremy Davies, Richard Ellert and Pearl Jackson will all be appointed as directors of Matrix at the Annual General Meeting of Matrix convened for 11 February 2004.

Because of the various stages of the Offer and the Acquisitions a table is set out below to show the various shareholdings of Jeremy Davies, Richard Ellert and Pearl Jackson and their percentage ownership of Matrix Ordinary Shares.

	<i>Outstanding Share Capital</i>	<i>Jeremy Davies</i>	<i>%</i>	<i>Richard Ellert</i>	<i>%</i>	<i>Pearl Jackson</i>	<i>%</i>	<i>Total</i>	<i>%</i>
On acquiring Matrix Ordinary Shares from the conversion of Matrix Convertible Loan Stock	5,010,694	1,477,272	29.5	1,250,000	24.9	—	—	2,727,272	54.4
Initial Consideration Shares for acquisitions of Newsham and Woodland	3,875,000	2,312,500	—	—	—	1,000,000	—	3,312,500	—
Total Initial Consideration	8,885,694	3,789,772	42.6	1,250,000	14.1	1,000,000	11.3	6,039,772	68.0
Further Consideration Shares for Newsham Acquisition	1,250,000	875,000	—	—	—	—	—	875,000	—
Total after full consideration	<u>10,135,694</u>	<u>4,664,772</u>	<u>46.0</u>	<u>1,250,000</u>	<u>12.3</u>	<u>1,000,000</u>	<u>9.9</u>	<u>6,914,772</u>	<u>68.2</u>

Note

Any acceptances of the Offer will increase Jeremy Davies' and Richard Ellert's holdings in Matrix's Ordinary Shares and increase their percentages.

It can be seen from the above table that Jeremy Davies will beneficially own 3,789,722 Matrix Ordinary Shares representing approximately 42.6 per cent. of the Enlarged Share Capital, assuming that no Matrix Shareholders accept the Offer.

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.

In the event that there was full acceptance of the Offer by all Matrix Shareholders excluding those who have committed not to accept the Offer, the Davies and Ellert Concert Party including Pearl Jackson's 11.3 per cent. would total 95.1 per cent. of the Enlarged Share Capital.

Pearl Jackson is not deemed to be part of the Davies and Ellert Concert Party until the resolution approving the acquisition of Woodland, convened for 11 February 2004, is approved. Following this, Pearl Jackson will be considered to be in concert with Jeremy Davies and Richard Ellert.

5. Information on Newsham and Woodland

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 the accompanying Circular.

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 of two partnerships operating a further two 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 the accompanying Circular.

6. Information on Matrix

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 elderly 55 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 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 intends 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 Appendix II 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 III of this document.

7. Background to and reasons for the Offer

Since 2002, the Matrix Directors have been seeking a buyer for the Company's assets. In August 2003, the Davies and Ellert Concert Party approached the Board with a proposal to purchase Best Investment Limited'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 Offer and the Proposals are in the best interests of Matrix Shareholders. 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 will 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 Limited and Peter Dewe-Mathews for 2,727,272 Existing Matrix Ordinary Shares. 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 facility and a growth strategy.

8. Financial effects of acceptance of the Offer

The following table sets out, for illustrative purposes only and on the bases and assumptions set out below, the financial effects of acceptance of the Offer on capital value for a holder of 100 Matrix Ordinary Shares. No illustration is made of the financial effect of acceptance of the Offer on gross income for a holder of Matrix Ordinary Shares as Matrix has not declared a dividend in their most recent audited financial periods.

<i>Offer</i>	£
Capital value	
Cash value for 100 Matrix Ordinary Shares	40.00
Market value of 100 Matrix Ordinary Shares ^(a)	23.00
Increase in capital value	17.00

This represents an effective increase of approximately 73.9%

- (a) Based on the closing middle-market price, as derived from the AIM Appendix to the Daily Official List, of 23p per Matrix Ordinary Share on 16 January 2004, the last dealing day before the announcement of the Offer.
- (b) No account has been taken of any liability (actual or potential) to taxation under the Offer.

9. Future intentions

The New Board intends to continue Matrix's business coupled with the operation of Newsham and Woodland. The New Board intends to identify further care homes to be acquired and to grow the business both organically and by acquisition. For illustrative purposes an unaudited proforma statement of net assets of the Enlarged Group is set out in Part VI of the accompanying Circular. Your attention is drawn to the dividend policy of the Enlarged Group. Subject to a future capital reorganisation of Matrix Healthcare to eliminate the accrued deficit on its profit and loss account being implemented, the New Board intends to pay dividends following Completion dependent upon the future performance of the Enlarged Group.

10. Management and employees

The Davies and Ellert Concert Party has confirmed that the existing employment rights, including pension rights, if any, of the management and employees of Matrix will be fully safeguarded. At the Company's Annual General Meeting, Peter Dewe-Mathews will become Non-Executive Chairman of the Company, Rupert Lywood and John Spiers will resign as Directors and Jeremy Davies, Richard Ellert and Pearl Jackson will be proposed for election to the Board as Managing Director, Finance Director and Operations Director respectively. Notice of the Annual General Meeting is set out in the accompanying Circular.

11. Retention of Matrix AIM quotation

Subject to the applicable requirements of the London Stock Exchange, it is the intention of the New Board to maintain the quotation on AIM of the Company's ordinary share capital following the closing of the Offer and Completion.

12. United Kingdom taxation consequences of accepting the Offer

The following paragraphs, which are intended as a general guide only, are based on current UK legislation and Inland Revenue practice. They summarise certain limited aspects of the UK taxation consequences of acceptance of the Offer and relate only to the position of Matrix Shareholders who hold their Matrix Ordinary Shares beneficially as an investment (otherwise than under a Personal Equity Plan (PEP)/Individual Savings Account (ISA)) and who are resident and, in the case of individuals, ordinarily resident in the UK for taxation purposes at all relevant times.

If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate professional adviser without delay.

Those Matrix Shareholders who, on acquisition of their Matrix Ordinary Shares, were entitled to relief under the Business Expansion Scheme (BES) or the Enterprise Investment Scheme (EIS) 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 delay.

(a) Taxation of chargeable gains

Liability to United Kingdom taxation of chargeable gains will depend on the individual circumstances of each Matrix Shareholder.

To the extent that a Matrix Shareholder receives cash under the Offer in exchange for the transfer of his Matrix Ordinary Shares, this will constitute a disposal or part disposal of his Matrix Ordinary Shares for the purposes of United Kingdom taxation of chargeable gains. Such a disposal or part disposal may, depending on his personal circumstances (including the availability of exemptions, relief and/or allowable losses), give rise to a liability to UK taxation on chargeable gains.

For individual shareholders, indexation allowance will be available in respect of the period during which the Matrix Ordinary Shares were held up to 5 April 1998, and taper relief thereafter, to reduce any gain arising. Taper relief reduces the proportion of the gain brought into charge to capital gains tax depending on the period of ownership of the shares. The capital gains annual exemption (which is £7,900 for 2003/04) will also be available to offset any chargeable gain (to the extent it has not already been utilised).

For Matrix Shareholders within the charge to UK corporation tax but which do not qualify for substantial shareholdings exemption in respect of their Matrix Ordinary Shares, indexation allowance will be available in respect of the full period of ownership of the Matrix Ordinary Shares to reduce any chargeable gain arising.

(b) Stamp duty and SDRT

No stamp duty or Stamp Duty Reserve Tax (“SDRT”) will be payable by Matrix Shareholders as a result of accepting the Offer, with the exception of persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

13. Procedure for acceptance of the Offer

This section should be read together with the notes and instructions on the accompanying Form of Acceptance and the provisions of Part B of Appendix I to this document. If you do not wish to accept the Offer, you should take no action.

You should note that, if you hold Matrix Ordinary Shares in both certificated form (that is, not in CREST) and uncertificated form (that is, in CREST), you should complete a separate Form of Acceptance for each holding. Similarly, you should complete a separate Form of Acceptance for Matrix Ordinary Shares held in uncertificated form but under different member account IDs and

for Matrix Ordinary Shares held in certificated form but under different designations. Additional Forms of Acceptance are available from Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH.

(a) To accept the Offer

To accept the Offer, you must complete Boxes 1 and 2 of the Form of Acceptance and, if your Matrix Ordinary Shares are in CREST, also Box 4 (see paragraph (e) below). You must also sign Box 3 of the Form of Acceptance (whether or not your Matrix Ordinary Shares are in CREST) in the presence of a witness, who should also sign in accordance with the instructions printed on it, and return it as set out below. If you do not insert a number in Box 1, a valid acceptance will be deemed to be made in respect of all the Matrix Ordinary Shares held by you.

(b) Return of the Form of Acceptance

To accept the Offer, the Form (or Forms) of Acceptance must be completed and returned, whether or not your Matrix Ordinary Shares are in CREST. The completed Form of Acceptance, together, if your Matrix Ordinary Shares are in certificated form, with your share certificate(s) for Matrix Ordinary Shares and/or other documents of title, should be returned by post or (during normal business hours only) by hand to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH as soon as possible but in any event so as to be received not later than 3.00 p.m. on 26 February 2004. A reply-paid envelope to be used for sending documents is enclosed for your convenience. No acknowledgement of receipt of documents will be given by or on behalf of the Davies and Ellert Concert Party. The instructions printed on the Form of Acceptance shall be deemed to form part of the terms of the Offer.

Kindly note: The Form of Acceptance is issued only to the addressee(s) and is specific to the class of security and the unique designated account printed thereon. The personalised Form of Acceptance is not transferable between different: (i) accounts; (ii) classes of securities; or (iii) uniquely designated accounts. The Davies and Ellert Concert Party and Capita IRG Plc accept no liability for any instruction that does not comply with these conditions.

(c) Overseas Matrix Shareholders

Forms of Acceptance contained in an envelope postmarked in the United States, Canada, Australia or Japan or otherwise appearing to the Davies and Ellert Concert Party or their agents to have been sent from the United States, Canada, Australia or Japan may not constitute a valid acceptance of the Offer. For further information see paragraph 5 of Part A of Appendix I to this document.

(d) Matrix Ordinary Shares in certificated form — documents of title

If your Matrix Ordinary Shares are in certificated form and if your share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, the Form of Acceptance should nevertheless be completed, signed and returned as stated above so as to arrive not later than 3.00 p.m. on 26 February 2004. If your share certificate(s) and/or other documents of title or any of them is/are not immediately available, you should send with your Form of Acceptance any share certificate(s) and/or other document(s) of title that you may have available, accompanied by a letter stating that the remaining documents will follow and the certificate(s) and/or other document(s) of title should be forwarded as soon as possible thereafter. No acknowledgement of receipt of documents will be given.

If you have lost your share certificate(s) and/or other document(s) of title, you should, when sending your Form of Acceptance, write to the registrars of Matrix, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU for a letter of indemnity for lost share certificate(s) and/or other document(s) of title which, when competed in accordance with the instructions given, should be returned to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH.

(e) Additional procedures for Matrix Ordinary Shares in uncertificated form (that is, Matrix Ordinary Shares held in CREST)

If, at the time of acceptance of the Offer, your Matrix Ordinary Shares are in uncertificated form, you should insert in Box 4 of the Form of Acceptance the participant ID and member account ID under which such Matrix Ordinary Shares are held by you in CREST and otherwise complete and return the Form of Acceptance as described above. In addition, you should take (or procure to be taken) the action set out below to transfer the Matrix Ordinary Shares in respect of which you wish to accept the Offer to an escrow balance (that is, a TTE instruction) specifying Capita IRG PLC (in its capacity as a CREST participant under its participant ID referred to below) as the Escrow Agent, as soon as possible and in any event so that the TTE instruction settles no later than 3.00 p.m. on 26 February 2004.

If you are a CREST-sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Matrix Ordinary Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to CRESTCo in relation to your Matrix Ordinary Shares.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to CRESTCo which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to the other information that is required for a TTE instruction to settle in CREST, the following details:

- the ISIN number for Matrix Ordinary Shares. This is GB0005739999;
- the number of Matrix Ordinary Shares to be transferred to an escrow balance;
- your member account ID. This must be the same member account ID that is inserted in Box 4 of the Form of Acceptance;
- your participant ID. This must be the same participant ID as that inserted in Box 4 of the Form of Acceptance;
- the participant ID of the Escrow Agent, namely, Capita IRG Plc, in its capacity as a CREST receiving agent. This is RA10;
- the member account ID of the Escrow Agent. This is MATRIX;
- the Form of Acceptance reference number. This is the reference number that appears at the top of page 3 of the Form of Acceptance. This reference number should be inserted in the first eight characters of the shared note field on the TTE instruction. Such insertion will enable Capita IRG Plc to match the TTE to your Form of Acceptance. You should keep a separate record of this reference number for future reference;
- the intended settlement date. This should be as soon as possible and in any event not later than 3.00 p.m. on 11 March 2004;
- the corporate action number for the Offer which is allocated by CRESTCo and which can be found by viewing the relevant corporate action details in CREST; and
- input with the standard TTE delivery instruction of priority 80.

After settlement of the TTE instruction, you will not be able to access the Matrix Ordinary Shares concerned in CREST for any transaction or charging purposes.

You are recommended to refer to the CREST manual published by CRESTCo for further information on the CREST procedures outlined above. For ease of processing, you are requested, wherever possible, to ensure that a Form of Acceptance relates to only one TTE instruction.

If no Form of Acceptance reference number, or an incorrect Form of Acceptance reference number, is included on the TTE instruction, the Davies and Ellert Concert Party may treat any Matrix Ordinary Shares transferred to an escrow balance in favour of the Escrow Agent

specified above from the participant ID and member account ID identified in the TTE instruction as relating to any Form(s) of Acceptance which relate(s) to the same member account ID and participant ID (up to the amount of Matrix Ordinary Shares inserted or deemed to be inserted on the Form(s) of Acceptance concerned).

You should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to Matrix Ordinary Shares to settle prior to 3.00 p.m. on 26 February 2004. In this regard, you are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Davies and Ellert Concert Party will make an appropriate announcement if any of the details contained in this paragraph (e) alter for any reason.

(f) Deposits of Matrix Ordinary Shares into, and withdrawals of Matrix Ordinary Shares from, CREST

Normal CREST procedures (including timings) apply in relation to any Matrix Ordinary Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Matrix Ordinary Shares or otherwise). Holders of Matrix Ordinary Shares who are proposing to convert any such Matrix Ordinary Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Matrix Ordinary Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) and/or other document(s) of title or transfers to an escrow balance as described above) prior to 3.00 p.m. on 26 February 2004.

(g) Validity of acceptance

Without prejudice to Appendix I to this document, the Davies and Ellert Concert Party reserves the right (subject to the Code) to treat as valid or at their discretion invalid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title or is not accompanied by the relevant TTE instruction (as applicable). The consideration due under the Offer will not be despatched (in the manner described in paragraph 14 below) until after the share certificate(s) and/or other document(s) of title or indemnities satisfactory to the Davies and Ellert Concert Party have been received or (as applicable) the relevant TTE instruction has been settled.

(h) Overseas Matrix Shareholders

The attention of Matrix Shareholders who are not resident in the United Kingdom or who are citizens or residents or nationals of other jurisdictions outside the United Kingdom and any persons, including without limitation, any custodian, nominee or trustee for such person who may have an obligation to forward any document in connection with the Offer outside the UK is drawn to paragraph 5 of Part A of Appendix I to this document and to the relevant provisions of the Form of Acceptance which they should read before taking action.

The Offer is not being made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, fax, telex or telephone) of interstate or foreign commerce of, or of any facilities of a national securities exchange of, and may not be accepted in or from, the United States, or in or into Canada, Australia or Japan and doing so may render invalid any proposed acceptance of the Offer. Accordingly, accepting Matrix Shareholders who are unable to give the representations and warranties set out in paragraph (p) of Part B of Appendix I to this document and who put "No" in Box 5 of the Form of Acceptance may be deemed not to have validly accepted the Offer. It is the responsibility of any overseas Matrix Shareholders wishing to accept the Offer to satisfy themselves as to the

full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

The availability of the Offer to persons who are not resident in the UK may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the UK should inform themselves about and observe any applicable requirements. If you are in any doubt as to the procedure for acceptance, please contact Capita IRG Plc, by telephone on 0870 162 3100 or (if calling from outside the UK) on +44 208 639 2157. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking action.

14. Settlement

Save as mentioned in paragraph 13(g) above (and except as provided in paragraph 5 of Part A of Appendix I to this document in the case of certain overseas holders of Matrix Ordinary Shares), settlement of the cash consideration to which any Matrix Shareholder is entitled under the Offer will be effected in the case of acceptances received, complete in all respects, by 26 February 2004, within 14 days of such date in the following manner:

(a) Matrix Ordinary Shares in uncertificated form (that is, in CREST)

Where an acceptance relates to Matrix Ordinary Shares in uncertificated form, the cash consideration to which the accepting Matrix Shareholder is entitled will, except in limited circumstances, be paid in pounds sterling by means of CREST by the Davies and Ellert Concert Party procuring the creation of an assured payment obligation in favour of the accepting Matrix Shareholder's payment bank in respect of the cash consideration due, in accordance with the CREST assured payment arrangements. The Davies and Ellert Concert Party reserves the right to settle all or any part of the consideration referred to in this paragraph 14(a) for all or any accepting Matrix Shareholders(s) in the manner referred to in paragraph 14(b) below, if for any reason, it wishes to do so.

(b) Matrix Ordinary Shares in certificated form (that is, not in CREST)

Where an acceptance relates to Matrix Ordinary Shares in certificated form, the settlement of any cash due will be despatched by first class post (or by such other method as the Panel may approve). All such cash payments will be made in pounds sterling by cheque drawn on a branch of a United Kingdom clearing bank.

All documents and remittances sent by or to Matrix Shareholders or their appointed agents will be sent at their own risk.

15. Further information

Your attention is drawn to the further information contained in Appendices I and II, to the accompanying Circular and to the accompanying Form of Acceptance.

16. Action to be taken

The procedure for acceptance of the Offer is set out on pages 12 to 16 of this document and in the accompanying Form of Acceptance. To accept the Offer, you should ensure that you return your completed Form of Acceptance (using the enclosed reply-paid envelope) by post or (during normal business hours only) by hand to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to be received as soon as possible and, in any event, no later than 3.00 p.m. on 26 February 2004. You should note that the Offer will close on 26 February 2004 and will not be extended and that, as noted above, the Davies and Ellert Concert Party will not become entitled or obliged to acquire compulsorily Matrix Ordinary Shares which are not assented to the Offer. In addition, if your Matrix Ordinary Shares are in CREST, you must take (or procure to be taken) the action described in paragraph 13 above.

If you are in any doubt about the Offer or the action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or from another appropriately qualified independent financial adviser.

Yours faithfully

For and on behalf of
Nabarro Wells & Co. Limited

Nigel Atkinson
Chairman

APPENDIX I

Part A: Further terms of the Offer

The Offer is unconditional and is subject to the following further terms.

1. Acceptance period

- (a) The Offer is open for acceptance until 3.00 p.m. on 26 February 2004 and will then close and will not be extended. Acceptances are to be given by post or, during normal business hours, by hand to Capita IRG Plc, The Registry, Corporate Actions, PO Box 166, 34 Beckenham Road, Beckenham, Kent BR3 4TH.
- (b) The Davies and Ellert Concert Party reserves the right to treat as valid or at their discretion invalid in whole or in part acceptances of the Offer which are not entirely in order or which are not accompanied by the relevant share certificates (and/or other relevant documents) (subject to Part B of this Appendix I).

2. Announcements

- (a) By no later than 8.00 a.m. on the business day (“the relevant day”) following the day on which the Offer is due to close (or such later time and/or dates as the Panel may agree), the Davies and Ellert Concert Party will make an appropriate announcement of the position and simultaneously inform the London Stock Exchange of the position of the Offer. Such announcement will also state (unless otherwise permitted by the Panel) the total number of the Matrix Ordinary Shares and rights over such Matrix Ordinary Shares (as nearly as practicable): (i) for which acceptances of the Offer have been received; (ii) acquired or agreed to be acquired by or on behalf of the Davies and Ellert Concert Party or any persons acting or deemed to be acting in concert with it during the Offer Period; (iii) held by or on behalf of the Davies and Ellert Concert Party or any person acting in concert with it prior to the Offer Period; and (iv) for which acceptances of the Offer have been received from any person acting or deemed to be acting in concert with the Davies and Ellert Concert Party, and will specify the percentage of the Matrix Ordinary Shares represented by each of these figures.
- (b) In computing the number of Matrix Ordinary Shares represented by acceptances and/or purchases there may at the discretion of the Davies and Ellert Concert Party (to the extent permitted by the City Code) be included or excluded for announcement purposes, acceptances and purchases which are not in all respects in order or which are subject to verification.

3. Rights of withdrawal

Acceptances shall be irrevocable.

4. General

- (a) All communications, notices, certificates, documents of title, other documents and remittances to be delivered by or sent to or from Matrix Shareholders (or their designated agents) will be delivered or sent at their own risk.
- (b) The expression “Offer Period” when used in this document means, in relation to the Offer, the period commencing on (and including) 19 January 2004 and ending at 3.00 p.m. on 26 February 2004.
- (c) Except with the consent of the Panel, settlement of the consideration to which any Matrix Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Davies and Ellert Concert Party may otherwise be, or claim to be, entitled as against such Matrix Shareholder and will where acceptance relates to Matrix Ordinary Shares in certificated form be posted within 14 days of the date on

which the Offer closes. No consideration will be sent to an address in the United States, Canada, Australia or Japan. Where acceptance relates to Matrix Ordinary Shares in uncertificated form, settlement will be made as set out in paragraph 14 of the letter from Nabarro Wells contained in Part II of this document.

- (d) The instructions, terms, authorities and provisions contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this document shall have the same meaning when used in the Form of Acceptance, unless the context otherwise requires. The provisions of this Part A shall be deemed to be incorporated in the Form of Acceptance.
- (e) The Offer and all contracts arising from acceptances thereof or pursuant thereto and the Form of Acceptance shall be governed by and construed in accordance with English law and the Courts of England shall have exclusive jurisdiction in relation to all matters arising out of or in connection with the Offer and the Form of Acceptance.
- (f) Any omission or failure to despatch this document, the Form of Acceptance, any other document relating to the Offer or any notice required to be despatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made shall not invalidate the Offer in any way, or create any implication that the Offer has not been made to any such person. Subject to paragraph 5 of this Part A of Appendix I, the Offer extends to any such persons to whom this document, the Form of Acceptance and/or any related offer document may not have been despatched or who may not receive such documents and such persons may collect during normal business hours copies of such documents from Capita IRG Plc at the address given in paragraph 1(a) above.
- (g) The Davies and Ellert Concert Party reserves the right to treat acceptances of the Offer as valid or at its discretion invalid if received by or on behalf of them at any place or places otherwise than as stated herein or in the Form of Acceptance.
- (h) The Offer may not be accepted otherwise than by means of a Form of Acceptance.
- (i) No acknowledgement of receipt of any Form of Acceptance, remittances, share certificate(s) and/or other document(s) of title will be given by or on behalf of the Davies and Ellert Concert Party.
- (j) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix I or in the Form of Acceptance are given by way of security for the performance of the obligations of the Matrix Shareholder concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.
- (k) The Davies and Ellert Concert Party reserves the right to notify any matter, including the making of the Offer, to all or any Matrix Shareholders with registered addressee(s) outside the United Kingdom or whom the Davies and Ellert Concert Party knows to be nominees, trustees or custodians holding Matrix Ordinary Shares for persons in the United States, Canada, Australia or Japan by announcements, or by paid advertisements in a newspaper published and circulated, in the United Kingdom, in which event such notice shall be deemed to have been sufficiently given, notwithstanding any failure by any such Matrix Shareholders to receive or see such notice, and all references in this document to notice in writing by or on behalf of the Davies and Ellert Concert Party shall be construed accordingly.
- (l) The relevant Matrix Ordinary Shares which are the subject of the Offer will be acquired free from all liens, charges, equitable interests and encumbrances, with full title guarantee, and together with all rights now or subsequently attached to them, including the right to receive all dividends and other distributions, if any, declared, made or paid in respect of them on or after the date hereof.

- (m) The Offer is made on 19 January 2004 and is capable of acceptance from and after that time. Forms of Acceptance are available for collection from Capita IRG Plc from that time. The Offer is being made by means of this document.
- (n) All references in this Appendix to any statute or statutory provision or regulation shall include any statute or statutory provision or regulation which amends, consolidates or replaces the same (whether before or after the date hereof).
- (o) In relation to any acceptance of the Offer in respect of a holding of Matrix Ordinary Shares which are held in uncertificated form in CREST, the Davies and Ellert Concert Party reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise to confer on the Davies and Ellert Concert Party or, as the case may be, the relevant Matrix Shareholder, the benefits and entitlements provided for under the terms of the Offer, provided that such alteration, addition or modification is consistent with the requirements of the City Code or is otherwise made with the consent of the Panel.

5. Overseas Matrix Shareholders

- (a) The making of the Offer in, or to certain persons who are citizens, residents or nationals of, jurisdictions outside the United Kingdom may be prohibited or affected by the laws of the relevant jurisdiction. Matrix Shareholders who are citizens, residents or nationals of jurisdictions outside the United Kingdom (“Overseas Matrix Shareholders”) should inform themselves about and observe any applicable legal requirements. No person receiving a copy of this document and/or the Form of Acceptance or any related documents in any jurisdiction other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Form of Acceptance if, in the relevant jurisdiction, such an invitation or offer cannot lawfully be made to him or her or such Form of Acceptance cannot lawfully be used without contravention of any relevant registration or other applicable legal requirements. In such circumstances, this document and/or any Form of Acceptance are sent for information purposes only. It is the responsibility of any Overseas Matrix Shareholder wishing to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction or territory in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities. Any such Overseas Matrix Shareholder will also be responsible for any payment of any issue, transfer or other taxes or duties or other requisite payments due in such jurisdiction by whomsoever payable and the Davies and Ellert Concert Party and any person acting on its behalf shall be entitled to be fully indemnified and held harmless by such Overseas Matrix Shareholder for any such issue, transfer or other taxes as the Davies and Ellert Concert Party or such person may be required to pay. Such Overseas Matrix Shareholders should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Offer.
- (b) The provisions of this paragraph 5 supersede and will apply in lieu of any terms of the Offer contained in this document inconsistent herewith. References in this paragraph 5 to an Overseas Matrix Shareholder shall include references to the person or persons executing any Form of Acceptance and in the event of more than one person executing a Form of Acceptance the provisions of this paragraph 5 shall apply to them jointly and to each of them.
- (c) In particular, the Offer is not being made, directly or indirectly, in or into, or by use of the mails of the United States, Canada, Australia or Japan, or by any means or instrumentality of interstate or foreign commerce or of any facilities of a national securities exchange in, the United States, Canada, Australia or Japan (including, without limitation, facsimile

transmission, telex and telephone). Accordingly, copies of this document and the Form of Acceptance and any relating offering documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the United States, Canada, Australia or Japan including to Overseas Matrix Shareholders with registered addresses in the United States, Canada, Australia or Japan or to persons who the Davies and Ellert Concert Party knows to be custodians, trustees or nominees holding Matrix Ordinary Shares for such persons. Persons receiving such documents (including, without limitation, custodians, trustees and nominees) must not distribute, send or mail them in, into or from the United States, Canada, Australia or Japan or use the United States, Australian, Canadian or Japanese mails or any such means, instrumentality or facility for any purpose, directly or indirectly, in connection with the Offer, and so doing will invalidate any related purported acceptance of the Offer. Persons wishing to accept the Offer must not use the United States, Canadian, Australian or Japanese mails or any such means, instrumentality or facility for any purpose directly or indirectly related to acceptance of the Offer. Envelopes containing Form(s) of Acceptance should not be postmarked in the United States, Canada, Australia or Japan or otherwise dispatched from the United States, Canada, Australia or Japan and all acceptors must provide addresses outside the United States, Canada, Australia and Japan for the remittance of the consideration to which they are entitled under the Offer for the return of Form(s) of Acceptance, share certificate(s) and/or other document(s) of title and the Davies and Ellert Concert Party will not be obliged to remit or return the same until such address is supplied.

- (d) A Matrix Shareholder will be deemed not to have accepted the Offer if:
- (i) he or she is unable to make the representation and warranty set out in paragraph (p) in Part B of this Appendix I below; or (ii) he or she completed Box 2 of the Form of Acceptance with an address in the United States, Canada, Australia or Japan or has a registered address in the United States, Canada, Australia or Japan and in either case he or she does not insert in Box 6 of the Form of Acceptance the name and address of a person or agent outside the United States, Canada, Australia or Japan to whom he or she wishes the consideration to which he or she is entitled under the Offer to be sent, subject to the provisions of this paragraph 5 and applicable laws; or
 - (ii) the Form or Acceptance received from him or her is in an envelope postmarked in, or otherwise appears to the Davies and Ellert Concert Party or its agents to have been sent from, the United States, Canada, Australia or Japan.
- (e) The Davies and Ellert Concert Party reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representation and warranty set out in paragraph (p) of Part B of this Appendix I below could have been truthfully given by the relevant Overseas Matrix Shareholder and, if such investigation is made and as a result the Davies and Ellert Concert Party determines that such representation and warranty could not have been so given, such acceptance shall not be valid.
- (f) The provisions of this paragraph 5 and/or any terms of the Offer relating to Overseas Matrix Shareholders may be waived, varied or modified as regards specific shareholder(s) or on a general basis by the Davies and Ellert Concert Party in its absolute discretion. In such circumstances, any signed Form of Acceptance received pursuant to the Offer shall constitute the irrevocable appointment of the Davies and Ellert Concert Party or Capita IRG Plc or any of its duly authorised persons as the relevant Overseas Matrix Shareholder's agent to effect such sale as his agent, with full power (including power of delegation) to do all such things as may be necessary for or ancillary to such purpose.

Part B: Form of Acceptance

Without prejudice to the terms of the Form of Acceptance and the provisions of Part A of this Appendix I, each Matrix Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, warrants and agrees to and with the Davies and Ellert Concert Party and Capita IRG Plc (in its capacity as Escrow Agent) (so as to bind him or her, his or her personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the execution of the Form of Acceptance shall constitute (as appropriate):
 - (i) an acceptance of the Offer subject to paragraph 5 of Part A of this Appendix I in respect of the number of Matrix Ordinary Shares inserted or deemed to be inserted in Box 1 of the Form of Acceptance. If a number is inserted in Box 1 which exceeds the Matrix Shareholder's holding of Matrix Ordinary Shares, which is incomplete or which is illegible, or if no number is inserted in Box 1, the acceptance will be deemed to have been made in respect of that Matrix Shareholder's entire registered holding of Matrix Ordinary Shares; and
 - (ii) an undertaking to execute any further documents and give any further assurances which may be required to enable the Davies and Ellert Concert Party to obtain the full benefit of the terms of this document and/or perfect any authorities expressed to be given hereunder;
- on, and subject to, the terms set out or referred to in this document and the Form of Acceptance and that each such acceptance shall be irrevocable;
- (b) that the Matrix Ordinary Shares in respect of which the Offer is accepted or deemed to be accepted are sold, with full title guarantee, free from all liens, equities, charges, equitable interests, pre-emption rights, encumbrances and other interests or third party rights of whatever nature and together with all rights attaching thereto on or after the date hereof including the right to receive all dividends and other distributions, if any, declared, made or paid after the date hereof;
- (c) that the execution of a Form of Acceptance constitutes the irrevocable appointment of the Davies and Ellert Concert Party and any of their agents as such Matrix Shareholder's attorney and/or agent and an irrevocable instruction to the attorney and/or agent to complete and execute all or any form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent in relation to the Matrix Ordinary Shares referred to in paragraph (a) of this Part B in favour of the Davies and Ellert Concert Party or such other person or persons as the Davies and Ellert Concert Party or its agents may direct and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent together with the certificate(s) and/or other document(s) of title relating to such Matrix Ordinary Shares for registration within six months of 26 February 2004 and to do all such other acts and things as may in the opinion of the attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in the Davies and Ellert Concert Party or its nominee(s) the Matrix Ordinary Shares as aforesaid;
- (d) that the execution of the Form of Acceptance constitutes the irrevocable appointment of Capita IRG Plc as such Matrix Shareholder's attorney and/or agent and an irrevocable instruction and authority to the attorney and/or agent, to transfer to itself (or to such other person or person as Matrix or its agents may direct) by means of CREST all or any of his or her Matrix Ordinary Shares (but not exceeding the number of Matrix Ordinary Shares in respect of which the Offer is accepted or deemed to be accepted);
- (e) that the execution of the Form of Acceptance constitutes irrevocable authorities and requests subject to paragraph 5 of Part A of this Appendix I:
 - (i) to Matrix or its agents to procure the registration of the transfer of the Matrix Ordinary Shares pursuant to the Offer and the delivery of the share certificate(s)

- and/or other document(s) of title in certificated form in respect thereof to the Davies and Ellert Concert Party or as it may direct;
- (ii) if the shares are in certificated form to the Davies and Ellert Concert Party or its agents to procure the despatch by post (or by such other method as may be approved by the Panel) of the entitlement for valid acceptances by Matrix Shareholders;
 - (iii) to the Davies and Ellert Concert Party or its agents, to record and act upon any instructions with regard to payments or notices or dividend mandates which have been recorded in the records of Matrix in respect of such Matrix Shareholder's holding(s) of Matrix Ordinary Shares assented to the Offer;
- (f) that the execution of a Form of Acceptance constitutes an authority to the Davies and Ellert Concert Party and/or their agents within the terms of paragraph 4 of Part A of this Appendix I and an authority to execute any further documents, take any further action and give any further assurances as may be required in connection with any matters referred to in Part B of this Appendix I and an irrevocable undertaking to execute any such further documents and/or give any such further assurances or perfect any of the authorities as may be required in connection with acceptance of the Offer;
- (g) that in such circumstances as the Davies and Ellert Concert Party may request and the Panel may permit and pending registration:
- (i) the Davies and Ellert Concert Party or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting of Matrix or of any class of its shareholders) attaching to any Matrix Ordinary Shares in respect of which the Offer has been accepted or is deemed to have been accepted; and
 - (ii) the execution of the Form of Acceptance in respect of the Matrix Ordinary Shares comprised in such acceptance:
 - (aa) constitutes an unconditional and irrevocable authority to the Davies and Ellert Concert Party from such Matrix Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him or her as a member of Matrix to the Davies and Ellert Concert Party the registered office of Nabarro Wells;
 - (bb) constitutes an unconditional and irrevocable authority to the Davies and Ellert Concert Party or any person appointed by the Davies and Ellert Concert Party to sign any consent to short notice of a general meeting on his or her behalf and/or to attend and/or execute a form of proxy in respect of such Matrix Ordinary Shares appointing any person nominated by the Davies and Ellert Concert Party to attend general meetings and separate class meetings of Matrix or its members (or any of them) or any adjournment thereof and to exercise the votes attaching to such shares on his or her behalf; and
 - (cc) constitutes the agreement of such Matrix Shareholder not to exercise any of such rights without the consent of the Davies and Ellert Concert Party and the irrevocable undertaking of such Matrix Shareholder not to appoint a proxy to attend any such general meeting or separate class meeting;
- (h) that he or she will deliver by post, or during normal business hours, by hand to Capita IRG Plc at the address given in paragraph 1(a) of Part A of this Appendix I, his or her share certificate(s) and/or other document(s) of title in respect of all Matrix Ordinary Shares held by him in certificated form, or an indemnity acceptable to the Davies and Ellert Concert Party in lieu thereof, as soon as possible and in any event within six months of 26 February 2004;

- (i) that he or she will take (or procure to be taken) the action set out in paragraph 13(e) under the heading “Procedure for acceptance of the Offer” of the letter from Nabarro Wells contained in Part II of this document to transfer all Matrix Ordinary Shares held by him in uncertificated form in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn to an escrow balance as soon as possible and in any event so that the transfer to escrow settles within six months of 26 February 2004;
- (j) that if, for any reason, any Matrix Ordinary Shares in respect of which a transfer to an escrow balance has been effected in accordance with paragraph 13(e) of the letter from Nabarro Wells contained in Part II of this document are converted to certificated form, he or she will (without prejudice to paragraph (g)(ii)(aa) above of this Part B) immediately deliver or procure the immediate delivery of the share certificate(s) or other documents(s) of title in respect of all such Matrix Ordinary Shares as so converted to Capita IRG Plc at the address given in paragraph 1(a) of Part A of this Appendix 1 and in accordance with the provisions of paragraph (h) of Part B or to the Davies and Ellert Concert Party as the Davies and Ellert Concert Party or its agents may direct;
- (k) that the terms of the Offer contained in this document shall be deemed to be incorporated in, and form part of, the Form of Acceptance which shall be read and construed accordingly;
- (l) that, if he or she accepts the Offer, he or she will do all such acts and things as shall be necessary or expedient to vest in the Davies and Ellert Concert Party or its nominee(s) or such other persons as it may decide the Matrix Ordinary Shares aforesaid;
- (m) that he or she agrees to ratify each and every act or thing which may be done or effected by the Davies and Ellert Concert Party or any of their members or their respective agents or Matrix or its agents, as the case may be, in the exercise of any of its or his or her powers and/or authorities hereunder;
- (n) that the execution of the Form of Acceptance constitutes his or her submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the courts of England and his or her agreement that nothing shall limit the right of the Davies and Ellert Concert Party to bring any action, suit or proceedings arising out of or in connection with the Offer and the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction;
- (o) that, if any provision of this Appendix shall be unenforceable or invalid or shall not operate so as to afford the Davies and Ellert Concert Party or any its members or their respective agents the benefit of any power and/or authority expressed to be given herein, he or she shall with all practicable speed do all such acts and things and execute all such documents that may be necessary or desirable to enable the Davies and Ellert Concert Party or any of its members or their respective agents to secure the full benefits of the relevant provision;
- (p) that unless “NO” is inserted in Box 5 of the Form of Acceptance, such Matrix Shareholder has not received or sent copies of this document, the Form of Acceptance or any related offer documents, in, into or from the United States, Canada, Australia or Japan and has not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mails of or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia or Japan; was outside the United States when the Form of Acceptance was delivered and at the time of accepting the Offer; and in respect of the Matrix Ordinary Shares to which the Form of Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Offer from within the United States, Canada, Australia or Japan; and the Form of Acceptance has not been mailed or otherwise sent in, into or from the United States, Canada, Australia or Japan or signed in

the United States, Canada, Australia or Japan and such Matrix Shareholder is accepting the Offer from outside the United States, Canada, Australia and Japan;

- (q) that on execution the Form of Acceptance takes effect as a deed; and
- (r) that this Appendix I and the provisions of paragraph 13 of the letter from Nabarro Wells set out in Part II of this document are deemed to be incorporated in, and form part of, the Form of Acceptance which shall be read and construed accordingly. References in this Part B to a Matrix Shareholder shall include references to the person or persons executing a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Part B shall apply to them jointly and to each of them severally.

APPENDIX II

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

Jeremy Davies Esq
Richard Ellert Esq
and
The Directors
Nabarro Wells & Co. Limited
Saddlers House
Gutter Lane
London EC2V 6HS

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	<u>£9,820,000</u>

Yours faithfully

Martin Robb BSc MRICS
Director

For and on behalf of
Christie & Co.

APPENDIX III

MATRIX HEALTHCARE PLC FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

Group profit and loss account

For the year ended 30 September 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
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

	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
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 32 to 41 form an integral part of these financial statements.

Group balance sheet

As at 30 September 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Fixed assets				
Tangible assets	10	<u>4,000</u>	<u>3,500</u>	<u>4,106</u>
Current assets				
Stocks	12	6	6	9
Debtors	13	137	128	161
Cash at bank and in hand		<u>1</u>	<u>1</u>	<u>1</u>
		144	135	171
Creditors: amounts falling due within one year	14	<u>(1,791)</u>	<u>(1,782)</u>	<u>(745)</u>
Net current liabilities		<u>(1,647)</u>	<u>(1,647)</u>	<u>(574)</u>
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	<u>(25)</u>	<u>—</u>	<u>—</u>
Net assets		<u><u>1,216</u></u>	<u><u>607</u></u>	<u><u>1,158</u></u>
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	<u>(1,168)</u>	<u>(1,777)</u>	<u>(1,258)</u>
Shareholders' funds (including non-equity interests)	20	<u><u>1,216</u></u>	<u><u>607</u></u>	<u><u>1,158</u></u>

The financial statements on pages 28 to 41 were approved by the Board on 19 January 2004 and signed on its behalf by:

Peter Dewe-Mathews

Director

The notes on pages 32 to 41 form an integral part of these financial statements.

Company balance sheet

As at 30 September 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Fixed assets				
Tangible assets	10	<u>4,000</u>	<u>3,500</u>	<u>4,106</u>
Current assets				
Stocks	12	6	6	9
Debtors	13	218	209	242
Cash at bank and in hand		<u>1</u>	<u>1</u>	<u>1</u>
		225	216	252
Creditors: amounts falling due within one year	14	<u>(1,872)</u>	<u>(1,863)</u>	<u>(826)</u>
Net current liabilities		<u>(1,647)</u>	<u>(1,647)</u>	<u>(574)</u>
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	<u>(25)</u>	<u>—</u>	<u>—</u>
Net assets		<u>1,216</u>	<u>607</u>	<u>1,158</u>
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	<u>(1,168)</u>	<u>(1,777)</u>	<u>(1,258)</u>
Shareholders' funds (including non-equity interests)	20	<u>1,216</u>	<u>607</u>	<u>1,158</u>

The financial statements on pages 28 to 41 were approved by the Board on 19 January 2004 and signed on its behalf by:

Peter Dewe-Mathews

Director

The notes on pages 32 to 41 form an integral part of these financial statements.

Group cashflow statement

For the year ended 30 September 2003

	<i>Notes</i>	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		<u>193</u>	<u>115</u>	<u>157</u>
Financing	23	(289)	(333)	256
(Decrease)/increase in cash during the year		<u>(96)</u>	<u>(218)</u>	<u>413</u>
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		<u>289</u>	<u>333</u>	<u>(256)</u>
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		<u>177</u>	<u>75</u>	<u>127</u>
Net debt at start of year	24	<u>(2,785)</u>	<u>(2,860)</u>	<u>(2,987)</u>
Net debt at end of year	24	<u><u>(2,608)</u></u>	<u><u>(2,785)</u></u>	<u><u>(2,860)</u></u>

The notes on pages 32 to 41 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 £'000	2002 £'000	2001 £'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
	<u>3</u>	<u>3</u>	<u>4</u>

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 £'000	2002 £'000	2001 £'000
Wages and salaries	1,220	1,322	1,556
Social security costs	71	68	83
	<u>1,291</u>	<u>1,390</u>	<u>1,639</u>

(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
	<u>120</u>	<u>139</u>	<u>162</u>

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
	<u>223</u>	<u>278</u>	<u>299</u>

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	—	—
	<u>52</u>	<u>2</u>	<u>—</u>

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	<u>661</u>	<u>(518)</u>	<u>6</u>
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	<u>27</u>	<u>2</u>	<u>—</u>

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	<i>Freehold land and buildings</i> £'000	<i>Equipment and furnishings</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'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.

<i>Name</i>	<i>Description of shares held</i>	<i>Proportion held</i>
Barleyglow Ltd	Ordinary Shares	100%
The Knoll Nursing Home Ltd	Ordinary Shares	100%

12. Stocks

	<i>2003</i> £'000	<i>2002</i> £'000	<i>2001</i> £'000
Group and Company			
Consumables and medical supplies	6	6	9

13. Debtors	<i>Group</i>			<i>Company</i>		
	2003 £'000	2002 £'000	2001 £'000	2003 £'000	2002 £'000	2001 £'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
	<u>137</u>	<u>128</u>	<u>161</u>	<u>218</u>	<u>209</u>	<u>242</u>

14. Creditors: amounts falling due within one year

	<i>Group</i>			<i>Company</i>		
	2003 £'000	2002 £'000	2001 £'000	2003 £'000	2002 £'000	2001 £'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
	<u>1,791</u>	<u>1,782</u>	<u>745</u>	<u>1,872</u>	<u>1,863</u>	<u>826</u>

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

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

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

	2003 £'000	2002 £'000	2001 £'000
Group and Company			
Borrowings are repayable as follows:			
Hire purchase creditor			
Within one year	—	—	3
	<u>—</u>	<u>—</u>	<u>3</u>
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
	<u>1,112</u>	<u>1,246</u>	<u>1,524</u>
Within one year and repayable on demand	600	650	484
	<u>1,712</u>	<u>1,896</u>	<u>2,008</u>

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 £'000	2002 £'000	2001 £'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.

17. 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 £'000	2002 £'000	2001 £'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.

18. Provision for liabilities and charges — deferred tax

Group and Company

	2003 £'000	2002 £'000	2001 £'000
Provided — accelerated capital allowances	<u>25</u>	<u>—</u>	<u>—</u>

There is no unprovided deferred tax.

19. 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	<u>2,250</u>	<u>2,250</u>	<u>2,250</u>
	<u>2,575</u>	<u>2,575</u>	<u>2,575</u>
(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	<u>1,028</u>	<u>1,028</u>	<u>1,028</u>
	<u>1,142</u>	<u>1,142</u>	<u>1,142</u>

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.

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

21. Reconciliation of shareholders' funds

	2003	2002	2001
	£'000	£'000	£'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	<u>1,241</u>	<u>607</u>	<u>1,158</u>

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

22. 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.

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

	2003	2002	2001
	£'000	£'000	£'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	<u>422</u>	<u>400</u>	<u>466</u>

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

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

25. Analysis of net debt — current year

	<i>At</i> 1 October 2002 £'000	<i>Cash flow</i> £'000	<i>Other non cash flows</i> £'000	<i>At</i> 30 September 2003 £'000
Cash at bank and in hand	(1)	—	—	(1)
Bank overdrafts	363	105	—	468
		<u>105</u>		
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
	<u>2,785</u>	<u>(193)</u>	<u>16</u>	<u>2,608</u>

Analysis of net debt — prior year

	<i>At</i> 1 October 2001 £'000	<i>Cash flow</i> £'000	<i>Other non cash flows</i> £'000	<i>At</i> 30 September 2002 £'000
Cash at bank and in hand	(1)	—	—	(1)
Bank overdrafts	145	218	—	363
		<u>218</u>		
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
	<u>2,860</u>	<u>(115)</u>	<u>40</u>	<u>2,785</u>

26. 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.

27. 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.

APPENDIX IV

ADDITIONAL INFORMATION

1. Responsibility

(a) Jeremy Davies and Richard Ellert accept responsibility for the information contained in this document other than the information relating to Matrix, the Matrix Directors, their immediate families, related trusts and persons connected with the Matrix Directors and for the views and opinions set out in the letter from the Chairman of Matrix in Part I above. To the best of the knowledge and belief of Jeremy Davies and Richard Ellert (who have taken all reasonable care to ensure such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

(b) The full names and addresses of the parties to the Davies and Ellert Concert Party are:

William Jeremy Davies, The Manor House, Great Somerford, Nr Chippenham, Wiltshire SN15 5EH

Richard John Ellert, Cami del Padro 10, Sant Vicenc de Montalt, Barcelona 08394, Spain

(c) The Matrix Directors, whose names are set out in sub-paragraph (d) below, accept responsibility for the information contained in this document relating to Matrix, the Matrix Directors, their immediate families, related trusts and persons connected with the Matrix Directors and for the views and opinions set out in the letter from the Chairman of Matrix in Part I above. To the best of the knowledge and belief of the Matrix Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

(d) The Matrix Directors are:

Vincent Henry Peter Dewe-Mathews (Chairman)

John Dudley Spiers (Director)

Rupert Charles Gifford Lywood (Director)

2. Disclosure of interests and dealings in shares

(a) *Interests in Matrix Ordinary Shares*

(i) As at the last day of the disclosure period, the interests of the Matrix Directors, their immediate families, related trusts and (so far as the Matrix Directors are aware having made due and careful enquiry) connected persons (within the meaning of section 346 of the Act), all of which are beneficial unless otherwise stated, in Matrix Ordinary Shares which have been notified to Matrix pursuant to sections 324 and 328 of the Companies Act or which were required to be entered in the register of directors' interests maintained under section 325 of the Act, were as follows:

<i>Name</i>	<i>Number of Matrix Ordinary Shares</i>
P Dewe-Mathews	90,000
R Lywood	5,001
Best Investment Limited (in which J Spiers has a controlling interest)	337,900

- (ii) As at the last day of the disclosure period, Matrix Ordinary Shares owned by the Davies and Ellert Concert Party or owned or controlled by persons acting in concert with the Davies and Ellert Concert Party were as follows:

<i>Name</i>	<i>Number of Matrix Ordinary Shares</i>
J Davies	1,477,272
R Ellert	1,250,000

- (iii) As at the last day of the disclosure period, the interests in Matrix Ordinary Shares owned or controlled by a bank, stockbroker, financial or other professional adviser (excluding an exempt market maker) to Matrix and/or the Davies and Ellert Concert Party, by any person controlling, controlled by or under the same control as such adviser, by a subsidiary of Matrix, by a pension fund of Matrix or any of its subsidiaries, by any associate of Matrix or by any person who has an arrangement with Matrix in respect of relevant securities, were as follows:

<i>Names</i>	<i>Number of Matrix Ordinary Shares</i>
Nabarro Wells	8,000

(b) *Dealings in Matrix Ordinary Shares*

- (i) Dealings for value in Matrix Ordinary Shares during the disclosure period by the Matrix Directors, their immediate families, related trusts and (so far as the Matrix Directors are aware having made due and careful enquiry) connected persons (within the meaning of section 346 of the Act) were as follows:

<i>Name</i>	<i>Date</i>	<i>Nature of transaction</i>	<i>Number of Matrix Ordinary Shares</i>	<i>Price per Matrix Ordinary Share (pence)</i>
P Dewe-Mathews	19 January 2004	Conversion of Matrix Convertible Loan Stock	151,515	33p
J Spiers (including Best Investment Limited)	19 January 2004	Conversion of Matrix Convertible Loan Stock	2,575,757	33p
P Dewe-Mathews	19 January 2004	Sale	151,515	40p
J Spiers (including Best Investment Limited)	19 January 2004	Sale	2,575,757	40p
R Lywood	27 June 2003	Purchase	5,000	15p

- (ii) Dealings for value in Matrix Ordinary Shares during the disclosure period by the Davies and Ellert Concert Party or persons acting in concert with the Davies and Ellert Concert Party were as follows:

<i>Name</i>	<i>Date</i>	<i>Nature of transaction</i>	<i>Number of Matrix Ordinary Shares</i>	<i>Price per Matrix Ordinary Share (pence)</i>
J Davies	19 January 2004	Purchase	1,477,272	40p
R Ellert	19 January 2004	Purchase	1,250,000	40p

(iii) No dealings for value in Matrix Ordinary Shares have taken place during the Offer Period by any bank, stockbroker, financial or other professional adviser (excluding an exempt market maker) to Matrix and/or during the last twelve months by the Davies and Ellert Concert Party and Pearl Jackson, by any person controlling, controlled by or under the same control as such adviser, by a subsidiary of Matrix, by a pension fund of Matrix or of any of its subsidiaries, by any associate of Matrix or by any person who has an arrangement with Matrix in respect of relevant securities.

(c) The directorships held by Jeremy Davies, Richard Ellert and Pearl Jackson 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:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
<i>Proposed Director</i>		
William Jeremy Davies	Arnwold Limited ADL Limited Atreus Investments Limited Bowprine Limited Bowprine Commercial Limited Childcare Logistics Limited Newsham House Limited Somersford 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 Somersford 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

(d) General

- (i) As at the last day of the disclosure period, save as disclosed in this paragraph 2, neither Matrix nor any of its subsidiaries nor the Davies and Ellert Concert Party, their immediate families, related trusts or connected persons (within the meaning of section 346 of the Act) nor any persons acting in concert with the Davies and Ellert Concert Party, nor any person who has given an irrevocable undertaking to accept the Offer, owned or controlled or (in the case of the Davies and Ellert Concert Party, their immediate families, related trusts or (so far as the Davies and Ellert Concert Party are aware having made due and careful enquiry) connected persons) was interested, directly or indirectly, in relevant securities nor has any such person dealt for value in any relevant securities during the disclosure period.
- (ii) As at the last day of the disclosure period, save as disclosed in this paragraph 2, neither Matrix, nor any Matrix Directors, their immediate families, related trusts or connected persons (within the meaning of section 346 of the Act), owned or controlled or (in the case of the Matrix Directors, their immediate families, related trusts or (so far as the Matrix Directors are aware having made due and careful enquiry) connected persons) was interested, directly or indirectly, in relevant securities, nor has any such person dealt for value in any relevant securities during the disclosure period.
- (iii) As at the last day of the disclosure period, save as disclosed in this paragraph 2, no bank, stockbroker, financial or other professional adviser (other than an exempt market-maker) to Matrix, nor any subsidiary of Matrix nor any pension fund of Matrix or of any of its subsidiaries, owned or controlled, nor did any person whose shares are managed on a discretionary basis by a fund manager (other than an exempt fund manager) connected with Matrix, own, relevant securities, nor has any such person dealt for value in any relevant securities during the Offer Period.
- (iv) Other than irrevocable undertakings not to accept the Offer described in paragraph 1 of Part II of this document, no arrangement exists between any person and (A) the Davies and Ellert Concert Party or any associate of the Davies and Ellert Concert Party or any person acting in concert with the Davies and Ellert Concert Party, or (B) Matrix or any associate of Matrix, in relation to relevant securities.

(e) Definitions

For the purposes of this paragraph 2:

- (i) “arrangement” includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature which may be an inducement to deal or refrain from dealing;
- (ii) references to an “associate” are to:
 - (aa) any associated companies of the Davies and Ellert Concert Party or (as the case may be) any subsidiary and associated companies of Matrix and companies of which any such subsidiaries or associated companies are associated companies (“relevant companies”);
 - (bb) banks, financial and other professional advisers (including stockbrokers) to the Davies and Ellert Concert Party or Matrix or any relevant company, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
 - (cc) the Matrix Directors or the directors of any relevant company (together in each case with any member of their immediate families or related trusts) and any member of the immediate family or related trusts of the Davies and Ellert Concert Party;
 - (dd) the pension funds of the Davies and Ellert Concert Party or Matrix or of any relevant company;

- (ee) an investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts;
- (ff) company having a material trading arrangement with the Davies and Ellert Concert Party or Matrix as the case may be;
- (iii) references to a “bank” do not apply to a bank whose sole relationship with the Davies and Ellert Concert Party or Matrix or any relevant company is the provision of normal commercial banking services or such activities in connection with the Offer as confirming that cash is available, handling acceptances and other registration work;
- (iv) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or holdings gives *de facto* control;
- (v) “disclosure period” means the period which began on 19 January 2003 (the date 12 months prior to the commencement of the Offer Period) and ended on the Printing Date; and
- (vi) “relevant securities” means the Matrix Ordinary Shares and securities convertible into, or rights to subscribe for Matrix Ordinary Shares, options (including traded options) in respect thereof and derivatives referenced thereto.

3. Market quotations

The following table sets out the Closing Price for Matrix Ordinary Shares (as derived from the AIM Appendix to the Daily Official List), on the first business day in each of the six months prior to the Printing Date and on 16 January 2004 (being the business day prior to the commencement of the Offer Period and the Printing Date):

<i>Date</i>	<i>Matrix Ordinary Share price (p)</i>
1 August 2003	14.5
1 September 2003	17.0
1 October 2003	18.25
3 November 2003	18.25
1 December 2003	18.25
2 January 2004	18.75
16 January 2004	23.00

4. Material contracts

(a) *The Davies and Ellert Concert Party*

Save as described in paragraph 6 below, there are no contracts, other than contracts entered into in the ordinary course of business, which have been entered into by Jeremy Davies or Richard Ellert during the period beginning two years before the commencement of the Offer Period which are or may be material in the context of the Offer or the Proposals.

(b) *Matrix*

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:

- (i) 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 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). 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;

- (ii) 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 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 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
- (iii) 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 repayment 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.

5. Matrix Directors' and Proposed Directors' employment arrangements

Apart from a letter of appointment in respect of Peter Dewe-Mathews and the service agreements in respect of the Proposed Directors, whose terms and conditions are summarised in paragraph 5.6 of Part VII of the accompanying Circular, there are no service agreements in force between any Matrix Director or Proposed Director and Matrix or any of its subsidiaries which have more than 12 months to run. There were no earlier service agreements which were replaced or amended by the service agreements and letter of appointment referred to in this paragraph 5.

6. Financing arrangements

The Offer and the expenses of the Offer will be financed out of the existing cash resources and loan facilities of the Davies and Ellert Concert Party with HSBC Bank plc, which amount to £2.1 million in aggregate.

Neither the payment of interest on, nor any repayment of, nor security for, any liability (contingent or otherwise) of the Davies and Ellert Concert Party will depend to any significant extent on the business of Matrix.

Nabarro Wells & Co Limited is satisfied that the necessary resources are available to the Davies and Ellert Concert Party to implement the Offer in full.

7. Bases and sources of information

Save as otherwise set out in this document, the following constitute the bases and sources of information referred to in this document:

- (a) Financial information relating to Matrix has been extracted from the audited financial statements of Matrix for the year ended on 30 September 2003.
- (b) References to the value of the Offer for the whole of the issued ordinary share capital of Matrix assume the number of Matrix Ordinary Shares currently in issue to be 5,010,694.
- (c) References to the availability to the Davies and Ellert Concert Party of the necessary resources to implement the Offer in full also assume that there are currently no options outstanding in respect of Matrix Ordinary Shares.
- (d) The Closing Price of a Matrix Ordinary Share is derived from the AIM Appendix to the Daily Official List for the relevant date.

8. General

- (a) No proposal exists in connection with the Offer that any payment be made or given by the Davies and Ellert Concert Party to any person as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- (b) Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Davies and Ellert Concert Party or any person acting in concert with the Davies and Ellert Concert Party and any of the directors, recent directors, shareholders or recent shareholders of Matrix having any connection with or dependence on the Offer.

- (c) There is no agreement, arrangement or understanding whereby beneficial ownership of any of the Matrix Ordinary Shares to be acquired by the Davies and Ellert Concert Party pursuant to the Offer will be transferred to any other persons except that the Davies and Ellert Concert Party reserves the right to transfer any Matrix Ordinary Shares acquired between the members of the Davies and Ellert Concert Party or any nominee.
- (d) This document is issued by Nabarro Wells & Co. Limited on behalf of the Davies and Ellert Concert Party. Nabarro Wells & Co. Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- (e) Durlacher has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name and its advice in the form and context in which they appear.
- (f) Christie & Co have given and not withdrawn their written consent to the inclusion of their letter in the form set out in Appendix II of this document and the reference to such letter in the form and context in which they appear.
- (g) Except as disclosed elsewhere in this document, the Matrix Directors are not aware of any material change in the financial or trading position of Matrix which has occurred since 30 September 2003.
- (h) In this Appendix VI, references to the Printing Date are to 19 January 2004, the latest practical date prior to the posting of this document.

9. Documents available for inspection

Copies of the documents referred to below will be available for inspection at the offices of the Davies and Ellert Concert Party's solicitors, Eversheds LLP of Senator House, 85 Queen Victoria Street, London EC4V 4JL, during normal business hours on any weekdays (Saturdays, Sundays and public holidays excepted) while the Offer remains open for acceptance:

- (a) the memorandum and articles of association of Matrix;
- (b) the published audited consolidated financial statements of Matrix for each of the two financial years ended 30 September 2002 and 2003 respectively;
- (c) the full valuation report from Christie & Co referred to in Appendix II of this document;
- (d) the letters of consent referred to in paragraphs 8(d), 8(e) and 8(f) above;
- (e) the material contracts referred to in paragraph 4 above;
- (f) the irrevocable undertakings not to accept the Offer described in paragraph 1 of Part II of this document;
- (g) the financing documents referred to in paragraph 6 above;
- (h) the service contracts and letter of appointment referred to in paragraph 5 above; and
- (i) this document and the Form of Acceptance.

Dated: 19 January 2004

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 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
“Board” or “Directors”	the directors of the Company, whose names are set out on page 3 of this document
“Circular”	the circular dated 19 January 2004 and issued by the Company in accordance with the AIM Rules and the Regulations
“City Code” or “Code”	the City Code on Takeovers and Mergers
“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
“Form of Acceptance”	the form of acceptance and authority accompanying this document
“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”	the £900,000 10 per cent. secured convertible redeemable loan notes 2004 issued by the Company, which were converted into 2,727,272 Matrix Ordinary Shares on 19 January 2004
“Matrix Deferred Shares”	deferred shares of 5p each in the capital of the Company
“Matrix Ordinary Shares”	the existing issued or unconditionally allotted and fully paid (or credited as fully paid) ordinary shares of 5p each in the capital of Matrix and any further such shares which are issued or unconditionally allotted on or prior to the date on which the Offer closes or, subject to the provisions of the City Code, such earlier date or dates as the Davies and Ellert Concert Party may determine
“Matrix Shareholders”	the holders of Matrix Ordinary Shares
“Nabarro Wells”	Nabarro Wells & Co. Limited
“New Board”	the Proposed Directors and Peter Dewe-Mathews
“Newsham”	Newsham House Limited, registered in England and Wales under company number 02719425
“Newsham Acquisition”	the acquisition of the entire issued share capital of Newsham by the Company pursuant to the Newsham Agreement
“Newsham Agreement”	the sale and purchase 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 the accompanying Circular
“Newsham Vendors”	W J Davies, R K Kilmartin, D A Youds and L J Youds
“Offer”	the mandatory cash offer made by Nabarro Wells 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 as set out in this document
“Panel”	The Panel on Takeovers and Mergers
“Printing Date”	the latest practical date prior to the printing of this document
“Proposals”	the proposals set out in the Circular 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)
“Share Capital”	the entire issued ordinary share capital of the Company
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“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 sale and purchase 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 the accompanying Circular

“Woodland Vendors”

S R T Hopkins, P L Jackson and W J Davies