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

All of the Pinnacle Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared in respect of the Pinnacle Shares after Admission.

Application has been made for the entire issued and to be issued share capital of Pinnacle Staffing Group plc to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

This document, which is drawn up as an Admission Document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the entire issued and to be issued share capital of the Company on AIM, a market operated by the London Stock Exchange. This document does not constitute an offer to the public for the purposes of section 85 of FSMA and does not comprise a prospectus for the purposes of the Prospectus Rules of the FSA. Accordingly, this document has not been pre-approved by or delivered to the FSA pursuant to section 85 of FSMA or made available to the public in accordance with the Prospectus Rules.

The Pinnacle Shares are not traded on any other recognised investment exchange and no other application to any other recognised investment exchange has been made. It is expected that Admission will become effective, and that dealings in the Pinnacle Shares will commence on AIM, on 5 September 2006.

Your attention is drawn to the Risk Factors set out in Part II of this document. The whole of this document should be read in the light of these risk factors.

Pinnacle Staffing Group plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05855668)

Introduction of 87,633,070 Pinnacle Shares of 10 pence each to trading on AIM

Nominated Adviser

Hawkpoint

Broker

Brewin Dolphin

Share capital on Admission

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Number</i> 116,844,100	<i>Amount</i> £11,684,410	<i>Number</i> 87,633,070	<i>Amount</i> £8,763,307
Pinnacle Shares of 10 pence each			

Hawkpoint and Brewin Dolphin are authorised and regulated in the United Kingdom by the FSA and are acting exclusively for the Company and no-one else in connection with the Admission. Neither Hawkpoint nor Brewin Dolphin will regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Hawkpoint or Brewin Dolphin respectively, nor for providing advice in relation to the transactions and arrangements detailed in this document or any other matter. Hawkpoint's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange. Neither Hawkpoint nor Brewin Dolphin are making any representation or warranty, express or implied, as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Hawkpoint has been appointed as nominated adviser to the Company in accordance with the AIM Rules. In accordance with the AIM Rules, Hawkpoint has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Hawkpoint for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

Copies of this document will be available free of charge at the offices of Eversheds LLP, Senator House, 85 Queen Victoria Street, London EC4V 4JL during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the period of one month from the date of Admission.

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DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	The Baroness Ford, <i>Non-Executive Chairman</i> Julie Greenwood, <i>Chief Executive</i> David Laing, <i>Finance Director</i> Richard Aitken-Davies, <i>Non-Executive Director</i> Trevor Jones, <i>Non-Executive Director</i> Stephen Booty, <i>Non-Executive Director</i> all of the registered office
Registered Office	Senator House 85 Queen Victoria Street London EC4V 4LJ
Head Office	6 Heddon Street London W1C 4BT Telephone Number: 020 7534 4470
Company Secretary	David Laing
Nominated Adviser	Hawkpoint Partners Limited 4 Great St Helen's London EC3A 6HA
Broker	Brewin Dolphin Securities Ltd 12 Smithfield Street London EC1A 9BD
Legal advisers to the Company	Eversheds LLP Senator House 85 Queen Victoria Street London EC4V 4LJ
Legal advisers to the Nominated Adviser	Hammonds 7 Devonshire Square Cutlers Gardens London EC2M 4YH
Auditors and Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH Membership of the Institute of Chartered Accountants of England and Wales
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP
Registrars	Computershare Investor Services PLC PO Box 1075 The Pavilions Bridgwater Road Bristol BS99 3FA
Public Relations	Citigate Dewe Rogerson 3 London Wall Buildings London Wall London EC2M 5SY

EXPECTED TIMETABLE OF EVENTS

Pinnacle Shares will be issued to Qualifying Shareholders in connection with the Demerger. Completion of the Demerger is subject to a number of conditions, including approval of the Demerger by Nestor Shareholders at the EGM, which has been convened for 11.00 a.m. on 4 September 2006. The following is the expected timetable of the principal events connected with the Demerger:

Latest time and date for receipt of forms of proxy from Nestor Shareholders for the EGM	11.00 a.m. on 2 September 2006
EGM	11.00 a.m. on 4 September 2006
Latest time and date for lodging transfers of Nestor Shares in order to be registered by the Demerger Record Time	5.00 p.m. on 4 September 2006
Demerger Record Time	6.00 p.m. on 4 September 2006
Completion of the Demerger and Admission	5 September 2006
Dealings in Pinnacle Shares expected to commence on AIM	8.00 a.m. on 5 September 2006
CREST members accounts credited with Pinnacle Shares	5 September 2006
Dispatch of certificates for Pinnacle Shares	14 September 2006

All times are London times

KEY INFORMATION

The following summary information does not purport to be complete and should be read in conjunction with the more detailed information appearing elsewhere in this document. Financial information has been extracted without material adjustment from the historical financial information set out in Part IV of this document. See Part II of this document entitled "Risk factors" for a discussion of certain risk factors which should be taken into consideration. You should read the whole document and not just rely on the key or summarised information.

Introduction

In the context of the different business profiles, capital requirements and investment propositions of the Staffing Business, the Primary Care Business and the Social Care Business, the board of Nestor has decided to demerge the Staffing Business.

Pinnacle is a newly formed company which will become the holding company for the Staffing Business after the Demerger. To facilitate the Demerger, Nestor will first transfer the Staffing Business into a new, wholly owned subsidiary, Pinnacle Health Care. The Demerger will then be effected by Nestor declaring a special dividend, equal to the book value of its shareholding in Pinnacle Health Care on Demerger, which will be satisfied, *in specie*, by the allotment and issue by Pinnacle of Pinnacle Shares, credited as fully paid, to Qualifying Shareholders, in consideration for the transfer by Nestor to Pinnacle of the entire issued share capital of Pinnacle Health Care. The Demerger is conditional, *inter alia*, upon Nestor Shareholders approving the Resolution at the EGM.

Business

The Staffing Business is an established market leader in the temporary healthcare staffing market supplying nurses, locum doctors, carers and other medical personnel. It is one of a few national temporary staffing recruitment businesses solely dedicated to the supply of healthcare professionals. Unlike certain of its competitors, the Staffing Business has a national presence operating through 33 branches in the UK which are supported by a group infrastructure. It is able to service the specific requirements of customers in their local marketplace and to access smaller local customers.

In the year ended 31 December 2005, the Staffing Business generated turnover of £103.3 million and operating profit before depreciation, amortisation and impairment of goodwill of £3.3 million.

Key strengths

The Board believes that the key strengths of the Staffing Business are as follows:

- **National presence:** the Staffing Business's network enables it to capitalise on local market opportunities. The Staffing Business is well placed to offer a 'one stop shop' to cover all aspects of healthcare staffing with the support of an overseas recruitment division. It has consistently achieved fill rates in the order of 80 per cent.
- **Strong brands:** the Board believes that the Staffing Business's brands, which include BNA, Holt and Medic, are associated with high quality standards as evidenced by the fact that the Staffing Business continually passes audits carried out both by PASA and CSCI.
- **Overseas recruitment and supply:** the Staffing Business has an overseas division, the Worldwide Healthcare Exchange, which provides candidates for all companies and is a supply source for customers in independent overseas markets. The Board believes that the business is also positioned to take advantage of the market for the placement of staff in Australasia.
- **Large database:** the Staffing Business has a large, maintained database of healthcare professionals in the UK, with details of over 36,000 candidates.
- **Broad customer base:** the customer base is well balanced between independent markets and the NHS.
- **Strong board and senior management team:** the Board and senior management have a significant amount of experience in the healthcare sector.
- **Business focus:** as a demerged entity, the Staffing Business will be better positioned to manage its own resources and pursue the strategies, set out below, which are appropriate to its markets.

Strategy following Admission

The objective of the Staffing Business is to achieve profitable growth by capitalising on its strong brand portfolio and national presence. It expects to achieve this through:

- remaining focused and dedicated to the supply of temporary healthcare professionals to the NHS and independent markets;
- expanding into higher growth markets, in particular:
 - complex nursing care at home;
 - the provision of mental health professionals to independent sector operators;
 - management of temporary staffing ‘banks’ for the NHS and independent markets; and
 - the reverse supply of candidates to the emerging overseas markets;
- developing its information technology platform further to allow remote access for customers and candidates, further reducing transactional costs; and
- pursuing selective, strategic acquisition opportunities in a market where the current top 12 providers account for only 40 per cent. of the market (*Source: Laing & Buisson, 2004 data*).

Summary of the Demerger

To facilitate the Demerger, Nestor will first transfer the Staffing Business into a new, wholly owned subsidiary, Pinnacle Health Care. The Demerger will then be effected by Nestor declaring a special dividend, equal to the book value of its shareholding in Pinnacle Health Care on Demerger, which will be satisfied, *in specie*, by the allotment and issue by Pinnacle of Pinnacle Shares, credited as fully paid, to Qualifying Shareholders, in consideration for the transfer by Nestor to Pinnacle of the entire issued share capital of Pinnacle Health Care. Qualifying Shareholders will receive:

for each Nestor Share held at the Demerger Record Time	1 Pinnacle Share
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Admission and timetable

Application has been made to the London Stock Exchange for the Pinnacle Shares to be admitted to trading on AIM. Following completion of the Demerger, Admission is expected to become effective and dealings in the Pinnacle Shares are expected to commence at 8.00 a.m. on 5 September 2006. The latest time and date for lodging transfers of Nestor Shares with Computershare Investor Services PLC in order to be registered by the Demerger Record Time is 5.00 p.m. on 4 September 2006.

The Company has applied for the Pinnacle Shares to be admitted to CREST with effect from Admission so that general market transactions in Pinnacle Shares in uncertificated form will be settled through CREST. It is expected that CREST accounts will be credited with Pinnacle Shares on 5 September 2006 and that definitive share certificates in respect of Pinnacle Shares to be held in certificated form will be dispatched by 14 September 2006.

Risk factors

Risk factors in relation to the Pinnacle Group’s business, financial condition, its industry and markets, the economic environment and holding the Pinnacle Shares are set out in Part II of this document.

PART I

INFORMATION ON THE PINNACLE GROUP

Financial information has been extracted without material adjustment from the Accountants' Report and pro forma financial information set out in Part IV of this document. Investors should read the whole document and not just rely on the key or summarised information.

1. Introduction

In the context of the different business profiles, capital requirements and investment propositions of the Staffing Business, the Primary Care Business and the Social Care Business, the board of Nestor has decided to demerge the Staffing Business.

Pinnacle is a newly formed company which will become the holding company for the Staffing Business after the Demerger. To facilitate the Demerger, Nestor will first transfer the Staffing Business into a new, wholly owned subsidiary, Pinnacle Health Care. The Demerger will then be effected by Nestor declaring a special dividend, equal to the book value of its shareholding in Pinnacle Health Care on Demerger, which will be satisfied, *in specie*, by the allotment and issue by Pinnacle of Pinnacle Shares, credited as fully paid, to Qualifying Shareholders, in consideration for the transfer by Nestor to Pinnacle of the entire issued share capital of Pinnacle Health Care. The Demerger is conditional, *inter alia*, upon Nestor Shareholders approving the Resolution at the EGM.

It is envisaged that Admission will allow Pinnacle Shareholders, *inter alia*, to assess better the risks and rewards associated with the Staffing Business and its cash flows and allow management to create additional value for Pinnacle Shareholders going forward through greater focus as an independent business.

The Demerger will allow the Staffing Business greater flexibility to manage its own resources in order to maximise returns to Pinnacle Shareholders. It will also be able to pursue its own strategy, which will include a continued focus on the supply of temporary healthcare professionals to the NHS and independent markets and expanding the provision of temporary and permanent staff to new growth markets in primary care and the independent sector.

2. Background, history and activities

The original Nestor business, BNA, was formed following the establishment of the NHS in 1948. The business was the subject of a management buy-out in 1986, prior to being floated on the London Stock Exchange as Nestor Healthcare Group plc in 1987. During the 1990s, Nestor focused on being a healthcare and social care agency business before developing more widely as a managed service provider, supplemented by the acquisition of the Healthcall Group in 2001.

The Staffing Business is an established market leader in the temporary healthcare staffing market supplying nurses, locum doctors, carers and other medical personnel. It is one of a few national temporary staffing recruitment businesses solely dedicated to the supply of healthcare professionals. Unlike certain of its competitors, the Staffing Business has a national presence operating through 33 branches in the UK which are supported by a group infrastructure. It is able to service the specific requirements of customers in their local marketplace and to access smaller local customers.

Temporary healthcare staffing attracts £1.9 billion of spend in the NHS and independent markets (*Source: Laing & Buisson, 2004 data*). The NHS accounts for 88 per cent. of this expenditure in the temporary healthcare staffing market but the Staffing Business has a wide range of customers in the healthcare market including NHS Hospital Trusts, PCTs, independent hospitals and nursing homes. It is not dependent on supplying any one healthcare discipline, region or customer.

Divisions

The Staffing Business operates through two main divisions:

- Nursing: supplying temporary nurses and care workers typically on *ad hoc* or short term assignments; and
- Medical services: supplies healthcare personnel, other than nurses, who are typically hired for slightly longer periods.

(i) *Nursing*

- **BNA:** provides general temporary nurses and care workers into the NHS, nursing homes, private homes, private hospitals, industry, prisons and PCTs. BNA has provided nurses to customers since 1949.
- **Grosvenor:** provides mental health nurses and care workers. With declining volumes in the NHS, Grosvenor will, in future, focus on the independent sector in mental health provision and forensic establishments.
- **Mayfair Specialist Nurses:** focuses on the skills and experience of specialist nurses, delivering nurses mainly into operating theatres, critical care units, midwifery and paediatrics services in the NHS and independent markets.

(ii) *Medical services*

- **Holt:** supplies locum doctors and AHPs to the NHS, Ministry of Defence and independent providers. Holt recruits some of its candidates from Australia and New Zealand.
- **Medic International:** focuses on providing AHPs, including operating department practitioners, ergonomists, occupational therapists, psychologists, physiotherapists and phlebotomists in addition to locum doctors to all market sectors.
- **Pinnacle:** is a specialist podiatry business, providing a service to the NHS and foot care providers.

(iii) *Other*

- **Worldwide Healthcare Exchange:** has historically acted primarily as an internal recruitment source. Worldwide Healthcare Exchange provides UK candidates to the overseas market, especially in Australia. Worldwide Healthcare Exchange operates from offices in the UK and Australia and an international network of partner organisations which covers 14 countries.
- **Mayfair Occupational Health:** provides temporary and permanent occupational health nurses to commercial organisations and nurse screening services.

Business model

The Board believes that the success of the Staffing Business's model is based on two key elements: its ability to service its customers and its ability to recruit and retain workers.

(i) *Customer service*

- **Dedicated to healthcare staffing:** the Staffing Business is one of a few national temporary staffing recruitment businesses solely dedicated to the supply of healthcare professionals rather than social care or administrative functions.
- **Local presence:** with 33 regional branches, the Staffing Business has one of the largest national footprints in the sector and is able to service the NHS and to access smaller local customers as well as service the specific needs of the local marketplace.
- **Large staffing database:** the Board believes that the Staffing Business's database drives its ability to fulfil customer requirements. The Staffing Business currently holds the details of over 36,000 candidates, with an average of 150 new applicants each week.
- **Low transactional cost base:** the Board believes that the Staffing Business's systems enable it to carefully monitor business performance and service level agreements in order to sustain a low cost base.
- **Client service levels:** the Staffing Business's information technology platform supports a weekly turnaround of candidate pay and billing to customers. Customers are able to receive an electronic invoice with details of the candidate(s) provided.
- **Contracts management:** the Staffing Business aims to work with customers to manage the whole of their temporary healthcare staffing requirements as a 'one stop shop', known as a master vendor agreement.

(ii) *Recruitment and retention*

- **Recruitment:** recruitment of healthcare professionals takes place through the internet, with each brand supporting its own site. The Board believes that this allows swifter turnaround of candidates from enquiry to placement. This strategy is augmented through advertising in key national and local media. The Staffing Business has its own dedicated overseas recruitment division, which supplies candidates from Australia and 14 other countries to the UK. All brands support candidate referrals by offering incentives. Nurses and care workers are interviewed by the Staffing Business's extensive network of recruiters.
- **Candidate retention:** the Staffing Business offers candidates a full induction course, supported by learning plans. Each staff member is encouraged to access training and development programmes (in conjunction with a training company). In addition, the Staffing Business offers a flexible loyalty scheme.
- **Staff retention, incentives and talent management:** the Staffing Business believes it offers staff an attractive basic remuneration package. The Staffing Business encourages staff development and manages 'high flyers' through individual progress plans. In addition, the Staffing Business will aim to reward performance with a tailored incentive scheme for all levels of the business and to offer NVQ Level 4 training to enable employees to achieve the registered manager's award.

3. Key strengths

The Board believes that the key strengths of the Staffing Business are as follows:

- **National presence:** the Staffing Business's network enables it to capitalise on local market opportunities. The Staffing Business is well placed to offer a 'one stop shop' to cover all aspects of healthcare staffing with the support of an overseas recruitment division. It has consistently achieved fill rates in the order of 80 per cent.
- **Strong brands:** the Board believes that the Staffing Business's brands, which include BNA, Holt and Medic, are associated with high quality standards as evidenced by the fact that the Staffing Business continually passes audits carried out both by PASA and CSCI.
- **Overseas recruitment and supply:** the Staffing Business has an overseas division, the Worldwide Healthcare Exchange, which provides candidates for all companies and is a supply source for customers in independent overseas markets. The Board believes that the business is also positioned to take advantage of the market for the placement of staff in Australasia.
- **Large database:** the Staffing Business has a large, maintained database of healthcare professionals in the UK, with details of over 36,000 candidates.
- **Broad customer base:** the customer base is well balanced between independent markets and the NHS.
- **Strong board and senior management team:** the Board and senior management have a significant amount of experience in the healthcare sector.
- **Business focus:** as a demerged entity, the Staffing Business will be better positioned to manage its own resources and pursue the strategies, set out below, which are appropriate to its markets.

4. Strategy

The objective of the Staffing Business is to achieve profitable growth by capitalising on its strong brand portfolio and national presence. It expects to achieve this through:

- remaining focused and dedicated to the supply of temporary healthcare professionals to the NHS and independent markets;
- expanding into higher growth markets, in particular:
 - complex nursing care at home;
 - the provision of mental health professionals to independent sector operators;
 - management of temporary staffing 'banks' for the NHS and independent markets; and
 - the reverse supply of candidates to the emerging overseas markets;

- developing its information technology platform further to allow remote access for customers and candidates, further reducing transactional costs; and
- pursuing selective, strategic acquisition opportunities in a market where the current top 12 providers account for only 40 per cent. of the market (*Source: Laing & Buisson, 2004 data*).

5. Market

Market definition

The term ‘staffing’ is generally used to describe any form of employment activity which is not permanent and full-time or fixed part-time in nature. Many workers choose to work on temporary assignments and are not looking for full-time employment because they prefer the variety of work or seek the flexibility of deciding when and for whom they work.

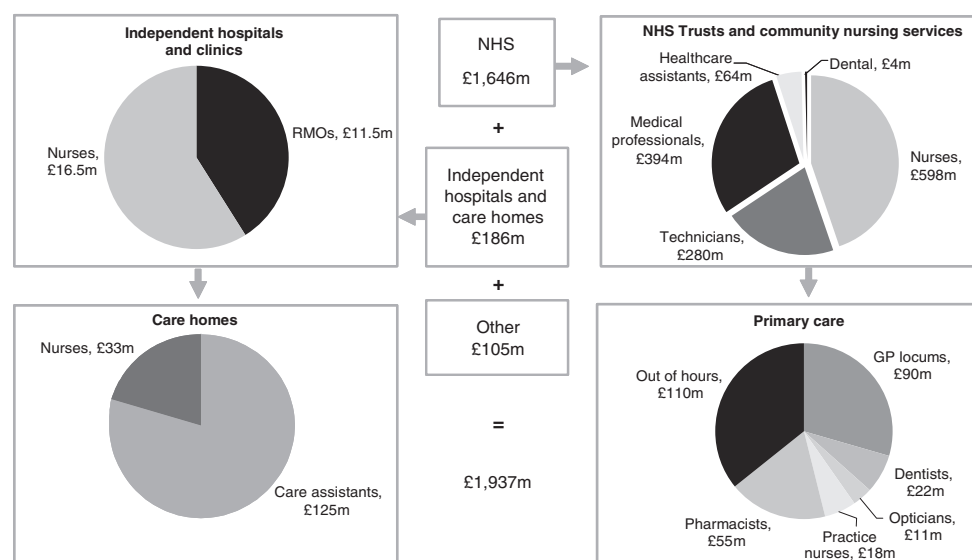
The market in temporary healthcare workers includes nurses, healthcare assistants, hospital doctors, general practitioners and professionals allied to medicine such as physiotherapists, occupational therapists, pharmacists and podiatrists. Customers include the NHS and the independent sector. The NHS and the independent sector represent one of two main components of the healthcare staffing services industry, the other being homecare (domiciliary) services, where the customer is typically local authorities’ social services. Commercial bureaux have developed to serve both areas as there is some overlap in the provision of personnel between health and social care.

Staffing businesses may supply their workers on an agency or a principal basis at the choice of the customer. A preference for the principal status, employing workers directly and hiring them out to clients, has been driven in part by changes in employment legislation.

Market size

The market for providing temporary staff into clinical environments, primary care and care homes had a value of £1.9 billion in 2004. If temporary staff required for non-healthcare positions, such as administrative and housekeeping services, are included, the value of the market increases by approximately £0.4 billion to £2.3 billion (*Source: Laing & Buisson, 2004 data*). However, few commercial bureaux providing temporary healthcare workers also provide staff for non-healthcare positions.

Chart 1: Spending on temporary healthcare staff services by user (Source: Laing & Buisson, 2004 data)



Approximately 93 per cent. of temporary staffing revenues come from government authorities, the NHS or local authorities’ social services or indirectly from operators running services outsourced by these authorities, such as care homes. Domiciliary care is excluded from this definition. The independent hospital market accounts for £28 million (1.5 per cent.) of revenues within the temporary healthcare staffing market in the UK (*Source: Laing & Buisson, 2004 data*).

Market conditions

The temporary healthcare staffing market grew at a compound annual rate of growth of 14 per cent. over the four year period to 2004. Taken in context, total NHS expenditure grew by over 7 per cent. per annum in real terms in this period (*Source: Laing & Buisson, 2004 data*).

(i) NHS nurses

Notwithstanding general market growth, since 2003 expenditure on temporary nurses within the NHS, including those supplied by NHSP, has declined. This has been due principally to the following Department of Health initiatives:

- The establishment of NFAs for the provision of temporary staff to the NHS by PASA: a nationwide tendering process for temporary staff commenced with nursing staff in 2001. This was based on lower, competitive charge rates for a guaranteed quality of service, in return for which providers anticipated higher volumes of business. The NFAs have now been extended to all medical professionals and have had an impact on NHS Hospital Trusts' purchasing, even though a considerable amount of activity still takes place outside the NFAs. NHS Hospital Trusts appear to have redistributed their nursing staff requirements, in particular among NFA providers rather than favouring a few large suppliers. As a result, commercial bureaux who supply solely under NFAs are not seeing the volume of business from NHS Hospital Trusts that they previously enjoyed.
- The establishment of NHSP: NHSP is the NHS's in-house staffing operation. NHSP was established as a central, rather than local, source for bank staff for NHS Trust Hospitals across local and regional health authorities. Its service has expanded as a broad-based staffing bureau across all healthcare staffing categories but, in order to achieve its service standards, it relies in part on staff supplied by commercial bureaux and performs the service of master vendor to the NHS. The Audit Commission raised concerns about the inefficiency of NHSP and the financial risk of increased spending on the not-for-profit service in a report published in 2003. It has cited its preference for a competitive market in this area. Although NHSP has not had the same impact as NFAs on the industry, it has received Department of Health funding and has a competitive advantage in that respect.
- Encouraging nurses back to full time employment, improving wages and increasing international recruitment for full time positions. The nursing workforce has grown by 20 per cent. since 1998 (*Source: Laing & Buisson, 2004 data*) and is now supported by considerably more NVQ trained care workers.

(ii) Other NHS markets

Other categories of temporary healthcare workers supplied to the NHS continued to grow from £576 million in 1999/2000 to £1,339 million in 2003/2004. NHS Hospital Trusts' requirements for more doctors and other medical professionals have been driven by a Department of Health strategy to grow the doctor workforce. NFA initiatives have now been introduced in this area but their impact on doctors and other medical professionals is considered by the Board to be far less than for temporary nurses.

As a result of the transfer of 75 per cent. of the NHS budget to primary care which commenced in 2003/2004 (*Source: Department of Health*), PCTs now deliver more services directly (or via general practitioner practices and co-operatives) and have improved patient access and quality standards. More staff are now employed in primary care which, combined with increases in the NHS budget, has had a positive effect on the demand for temporary staffing and has improved patient access and quality standards.

Other than overall levels of NHS funding, two factors are likely to affect future growth positively:

- near term restructuring of PCTs is expected to restrict growth in directly provided services and to encourage outsourcing to other suppliers, including the independent sector. Although the Board believes that historically PCTs have preferred internal providers for temporary staffing, it also believes that other service providers may demonstrate a greater propensity to use commercial bureaux; and
- the Department of Health White Paper, published in March 2006, set out a strategy for delivering more care in the community outside the hospital, which should create further opportunities for the independent sector and for commercial bureaux.

(iii) *Independent market*

Outside the NHS market, independent hospitals' usage of temporary healthcare staff, and in particular nurses, has grown at a compound rate of 22 per cent. per annum in the four year period to 2004, against growth in the independent hospital market as a whole averaging 11 per cent. per annum (*Source: Laing & Buisson, 2004 data*). These exceptional growth rates may ease as the market for nursing staff relaxes, with future growth being determined by the growth in the sector as a whole. However, Department of Health contracts now being awarded to the independent sector (such as ISTCs) could account for as much as 15 per cent. of the NHS activity in time (*Source: John Reid, previously Health Minister*) and would increase the size of the sector significantly.

Growth of temporary staffing in the nursing and residential care market of 8.5 per cent. in the four year period to 2004 (*Source: Laing & Buisson, 2004 data*) has largely reflected fee rate increases. In the future, this is expected by the Board to be in line with inflation. However, the Board believes that the market for specialist care services, in combination with the care home market, remains attractive for commercial bureaux.

Regulation and legislation

The Staffing Business is subject to regulation and legislation covering three main areas:

- Treatment of temporary workers: the Conduct of Employment Agencies and Employment Business Regulations 2003 tightened the contractual terms between the agency, the customer and the work-seeker. Part-time Work Regulation 2000 and the European Working Time Directive set criteria for benefits and worker protection.
- Quality standards: the Health and Social Care (Community Health and Standards) Act 2003 is implemented by an independent inspectorate, the CSCI, with whom Pinnacle must be registered, which seeks to impose certain quality and safety criteria upon management, staff, premises, temporary workers and the conduct of specified services. In addition, all healthcare staffing businesses must conduct checks on all staff with the Criminal Record Bureau and the register for the Protection of Vulnerable Adults and Protection of Children and Adolescents. All bureaux are inspected by CSCI prior to registration and spot checks can take place at any time of the year.
- Conduct of business: in addition to providing worker protection, the Conduct of Agencies and Employment Business Regulations 2003 also seeks to regulate the ways in which organisations such as Pinnacle conduct their business relationships with clients, in particular to curb payment abuses, to safeguard clients' money and to promote market flexibility and competition.

The Department of Health has imposed certain additional conditions to doing business under NHS contracts including the NFAs. These regulations and the legislation referred to above serve to increase the barriers to entry into this market.

Competition

The temporary healthcare staffing market is fragmented and polarised. A small number of organisations generate revenues within this market of between £20 million and £130 million per annum. However, approximately 60 per cent. of the rest of the market generate revenues below this level.

In addition to Pinnacle, the following organisations generate all or a majority of their revenues from the provision of temporary healthcare staffing to the NHS and independent markets. The estimate of market share set out in the table below is based on the proportion of revenue, where publicly available, that is derived from healthcare staffing.

<u>Name</u>	<u>Branches</u>	<u>Estimated share of £1.9bn healthcare staffing market</u>
Match Group	9	6.8%
Allied Healthcare	119	6.0%
Beresford Blake Thomas	23	5.0%
Medacs	7	3.7%
Ambition 24	16	3.1%
Reed Health Group	21	2.8%
Healthcare Locums	4	2.2%
Advantage Healthcare	24	2.1%
Thornbury Nursing Services	2	2.1%
Firstpoint Healthcare	4	<u>1.4%</u>
		35.2%

Note:

The information in the table above has been taken from latest filed accounts for the relevant companies or other public sources.

6. Dividend policy

In setting the level of future dividends, the Board will have regard to the progress made by the business, the cash flows generated by the business and the Company's future prospects.

7. Selected financial information

The table below, the contents of which have been extracted without material adjustment from the financial information in Part IV of this document, summarises the trading record of the Staffing Business for the three years ended 31 December 2005 as if the Staffing Business had been owned and controlled by Pinnacle for all periods presented. The information has been prepared under UK GAAP for 2003, 2004 and 2005.

	<u>Year ended 31 December 2003</u>	<u>Year ended 31 December 2004</u>	<u>Year ended 31 December 2005</u>
	UK GAAP £000	UK GAAP £000	UK GAAP £000
Turnover	182,648	138,864	103,311
Operating profit (see note)	12,408	4,090	2,663
Net assets	<u>34,825</u>	<u>29,867</u>	<u>19,232</u>

Note:

This is stated before goodwill amortisation, impairment and exceptional items.

Further financial information on the Staffing Business is set out in Part IV of this document. **Pinnacle Shareholders should read the whole of this document and not just the information summarised above.**

8. Bank facilities and capital structure

Pinnacle has agreed a receivables bank facility of £7.0 million and a revolving credit facility of up to £2.0 million. Following completion of the Demerger, Pinnacle is expected to repay £5.0 million to Nestor in respect of an outstanding inter-company debt owed to NPSL by Pinnacle Health Care. Further details of the agreement relating to Pinnacle's bank facilities are set out in paragraph 7 of Part V of this document.

On completion of the Demerger, certain liabilities of the Staffing Business will be retained and settled by Nestor. As a result, Pinnacle will have no trade creditors immediately following completion of the Demerger.

9. Current trading and prospects

In Nestor's AGM statement, released in April 2006, Nestor announced that each of its locum brands had been appointed to the new NHS framework agreements for AHPs at prices which generate reasonable margins and that Nestor had been awarded a major master vendor contract for the provision of AHPs to fourteen NHS Trusts through an agreement with the North Central London Strategic Health Authority.

However, the market for healthcare staffing service providers remains challenging and the pressures on NHS budgets are adversely impacting on volumes. As a result of this financial pressure, volumes and margins for the nursing and medical services locum brands remained flat during the first quarter of 2006. Further, second quarter volumes were negatively impacted by the Easter and May bank holidays. Initial trading in the third quarter has been below management's expectations (partly due to the distraction of senior management resulting from the demerger process and the master vendor contract with the North Central London Strategic Health Authority starting approximately two months later than anticipated). However, the costs of the business are also running below management's expectations due to active management of the cost base. Consequently, it is expected that the operating result for the remainder of the year will be moderately below management's expectations.

10. Terms of the Demerger

To facilitate the Demerger, Nestor will first transfer the Staffing Business into a new, wholly owned subsidiary, Pinnacle Health Care. The Demerger will then be effected by Nestor declaring a special dividend, equal to the book value of its shareholding in Pinnacle Health Care on Demerger, which will be satisfied, *in specie*, by the allotment and issue by Pinnacle of Pinnacle Shares, credited as fully paid, to Qualifying Shareholders, in consideration for the transfer by Nestor to Pinnacle of the entire issued share capital of Pinnacle Health Care. Qualifying Shareholders will receive:

for each Nestor Share held at the Demerger Record Time	1 Pinnacle Share
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Immediately following completion of the Demerger there will be 87,633,070 Pinnacle Shares in issue.

Neither Nestor nor Pinnacle is raising funds as part of the Demerger process and neither will have a shareholding in the other following the Demerger; Stephen Booty will be the only director common to both Pinnacle and Nestor. Application has been made for the Pinnacle Shares to be admitted to trading on AIM. Immediately after the completion of the Demerger, Nestor Shareholders will own the same percentage of Pinnacle Shares as they currently own of Nestor Shares.

On completion of the Demerger, certain liabilities of the Staffing Business will be retained and settled by the Nestor Group. As a result, Pinnacle will have no trade creditors immediately following completion of the Demerger. Nestor will bear the costs of the Demerger.

The Demerger is conditional, *inter alia*, upon Nestor Shareholders approving the Resolution at the EGM.

11. Share Incentive Schemes

The Performance Share Plan and the EBT will be adopted by the Company conditional upon Admission. Further details of these Share Incentive Schemes are set out in paragraph 4 of Part V of this document.

12. The Board

Details of the Directors, who all joined the Board on the Company's incorporation in June 2006, are as follows:

The Baroness Ford, (née Garland), Non-Executive Chairman, aged 48

The Baroness Ford is an experienced independent director and is currently Chairman of (Irvine Bay Regeneration Company) English Partnerships and CIBRC, and Non-Executive Director of Serco Group plc. She has held several senior executive positions in the past, including Chief Executive of Good

Practice Limited, Managing Director of Eglinton Management Centre Limited and Executive Director of Scottish Homes.

Julie Greenwood (née Hampton), Chief Executive Officer, aged 37

Julie Greenwood joined the Nestor Group as a Director of the Staffing Business in 2002, leading direct sales and operational strategy. Prior to joining Nestor, she was Regional Sales Director at Allied Healthcare Group and before that she was a Business Manager at Match Healthcare Group. She is qualified as a registered Nurse and Midwife.

David Laing, Finance Director, aged 37

David Laing joined the Nestor Group in May 2006 as Finance Director of the Social Care Business. Prior to joining Nestor, David was Financial Controller of Quality Locum Services and before that he was Group Financial Controller at Pacific Basin Shipping. He is a qualified Chartered Accountant.

Richard Aitken-Davies, Non-Executive Director, aged 56

Richard Aitken-Davies has held several senior executive positions, including Group Performance Director of Powergen plc, Flotation Project Director at London & Continental Railways Limited and Privatisation Director at Railtrack PLC. He is a fellow of the Association of Chartered Certified Accountants.

Trevor Jones, Non-Executive Director, aged 55

Trevor Jones has over 20 years of wide ranging experience in senior positions within the NHS, including Chief Executive of the Avon, Gloucestershire & Wiltshire Strategic Health Authority and the combined post of Head of the Scottish Executive Health Department and Chief Executive of NHSScotland. He is also a member of the NHS National Leadership Network which advises the Secretary of State for Health and is a former principal policy adviser to Scottish Ministers on health issues.

Stephen Booty, Non-Executive Director, aged 52

Stephen Booty was appointed to the Nestor board in June 2002, having joined the Nestor Group in January 2002 as Managing Director of the Healthcare Personnel Division. He was appointed Acting Chief Executive of Nestor in May 2004 and Chief Executive of Nestor in December 2004. He has over twenty years experience in the fast moving consumer goods sector, working for blue chip organisations, marketing branded goods and driving efficiencies through innovative business processes. His previous roles include Chief Operating Officer, Europe at Chep International and senior sales, management and operational roles at Kimberly-Clark and Scott Paper.

13. Corporate governance

The Directors recognise the importance of sound corporate governance and intend to implement appropriate measures (having regard to the current stage of development of the Company and the construction of the Board) to comply, so far as practicable, with the Combined Code.

The Board has established, conditional upon the Demerger taking effect, properly constituted audit, remuneration and nomination committees with formally delegated duties and responsibilities. All of these committees are comprised solely of Non-Executive Directors.

The audit committee is primarily responsible for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. In particular, the audit committee shall make recommendations as to the appointment, reappointment or removal of external auditors and shall monitor the expertise and independence of such auditors. It will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use by the Pinnacle Group. The audit committee will have unrestricted access to the Company's auditors, including their reports on any weakness identified in the accounting and internal control environment. The audit committee will meet at least once a year. The Chairman of the audit committee will be Richard Aitken-Davies.

The remuneration committee is primarily responsible for reviewing the scale and structure of both the executive Directors' and other key employees' future remuneration and setting the terms of their service

agreements. No Director will be permitted to participate in discussions or decisions concerning his own remuneration. The remuneration committee is also responsible for administering and for making recommendations on proposals in relation to the Share Incentive Schemes. The remuneration committee will meet at least once a year or otherwise as appropriate. The Chairman of the remuneration committee will be Trevor Jones.

The nomination committee is primarily responsible for assessing the suitability of candidates proposed for appointment by the Board and for preparing a description of the role and capabilities required for a particular appointment. In exercising this role, the members of the nomination committee shall have regard to the recommendations put forward by the Combined Code. The nomination committee will meet as and when necessary. The Chairman of the nomination committee will be The Baroness Ford.

The Pinnacle Group will comply with Rule 21 of the AIM Rules relating to Directors' and applicable employees' dealings in Pinnacle Shares and will take all reasonable steps to ensure compliance by the Directors and applicable employees.

The Company has adopted and will operate a share dealing code for Directors and relevant employees equivalent to the Model Code on share dealings. Furthermore, the Company intends to issue internal guidelines for its Directors and employees in respect of the protection and dissemination of price sensitive information.

14. Employees

The Staffing Business sets out to provide attractive salaries and benefits for all its employees, consistent with business strategy and performance. Total remuneration comprises fixed pay, bonuses, commissions and benefits.

The estimated average number of employees in the Staffing Business for each of the three years ended 31 December 2005 was as follows:

	Year ended 31 December <u>2003</u>	Year ended 31 December <u>2004</u>	Year ended 31 December <u>2005</u>
Staffing Business employees	811	780	513

15. Relationship between Nestor and Pinnacle

Following the completion of the Demerger and Admission, Nestor and Pinnacle will operate as independent companies. Members of the Continuing Group have entered into various agreements with the relevant members of the Pinnacle Group to consolidate the activities of the Staffing Business in one company, to give effect to the Demerger and to govern certain aspects of their ongoing relationship, including:

- (i) the Transfer Agreement;
- (ii) the Demerger Agreement; and
- (iii) the Transitional Services Agreement.

The principal terms and conditions of these agreements are described in more detail in paragraph 7 of Part V of this document.

PART II

RISK FACTORS

An investment in and the holding of Pinnacle Shares involves a degree of risk. Pinnacle Shareholders should carefully consider the risks described below together with all other information contained in this document. If one or more of the following risks actually occur, Pinnacle's business, financial condition and/or results of operations could be materially and adversely affected. In such a case, the trading price of the Pinnacle Shares may decline and an investor may lose all or part of his or her investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently consider to be immaterial, may also have a material adverse effect on Pinnacle's business.

1. Business risks

(a) NHS

A significant part of the Staffing Business's revenue is derived from NHS organisations such as NHS Hospital Trusts and PCTs. The Staffing Business is subject to the risk that some or all NHS organisations will seek to control the price they pay for temporary staff, impose blanket restrictions on the use of temporary staff, change their policy on the provision of staff from the independent sector or intervene in the market in order to recruit and retain permanent staff so as to reduce the requirement for temporary staff.

Recently, the NHS has required temporary staffing providers to enter into NFAs which cover eight regions in England and set specific quality standards and maximum pay rates. It is intended that these NFAs will restrict or reduce commissions payable and also reduce the number of independent staffing providers. The effect of these NFAs has already resulted in a decline in the provision of nursing staff by the Staffing Business and an overall reduction in commission income as a percentage of revenue across the Staffing Business's brands when conducting business with NHS organisations.

In addition, the NHS has sought to reduce its reliance on temporary staffing agencies by setting up its own in-house provider, NHSP. NHSP's initial role was to improve the utilisation of NHS Hospital Trust staff thereby reducing reliance on temporary staffing. It has now expanded its role to include temporary staffing which, for the most part, it procures from independent suppliers within the NFAs. In prior years, this had an impact on the Staffing Business which had contracts with NHS Hospital Trusts, as these contracts were terminated. The Staffing Business now acts as a third party supplier of temporary healthcare staff to NHSP but there can be no assurance that this arrangement will continue.

(b) Ability to win or maintain market share

There can be no guarantee that the competition in respect of the Staffing Business will not increase or that the Staffing Business will continue to win market share from any of its competitors or maintain its existing market share.

Compared to the size of the NHS, the market for providing temporary healthcare staff to independent healthcare operators is relatively small. Should independent temporary healthcare staffing providers abandon their NHS business in favour of the independent market, competition in this area of the Staffing Business's activities could increase significantly.

(c) Failure to attract doctors, nurses, healthcare assistants and healthcare locums

The Staffing Business is dependent on recruiting and retaining on its register those healthcare workers who are able and willing to work on a temporary basis. Individuals are attracted to temporary work because of the flexibility it affords, enabling them to pursue chosen lifestyles or to fit in with family responsibilities. The Staffing Business's success in recruitment and retention is dependent on its consistency in finding suitable employment on the right terms for those on its register. A failure to find suitable employment for those on its register could adversely affect the results of its operations.

(d) Dependence on key personnel

The Staffing Business's performance is dependent, to a large extent, on certain key individuals and employees and their ongoing relationships with clients. As a separate entity, the Staffing Business will seek to offer its staff competitive remuneration packages, attractive incentives, career development opportunities and a good working environment. A failure to do so could mean that it does not attract

and retain appropriately skilled employees which, in turn, could have a negative impact on the results of its operations.

(e) Quality assurance risks

The Staffing Business is subject to rigorous quality assurance standards in the recruitment and placement of temporary healthcare workers, such as verification of qualification, employee references, criminal record checks and checks designed to protect vulnerable adults or children who may be in their care. If the Staffing Business is found to be deficient in the recruitment standards required by regulators and its customers, it may find its licence to operate is revoked and/or its business contracts terminated.

If a temporary healthcare worker placed by the Staffing Business commits an offence while on placement and is subsequently discovered to have a previous record which should have been identified during the recruitment process, the Staffing Business may be subject to litigation which may be costly and take time to resolve.

(f) Use of internet technology

A considerable amount of recruitment in the staffing market is now taking place via the internet. The Staffing Business's performance could suffer if a customer were to use the internet to communicate directly with the temporary healthcare worker to fulfil a temporary staffing need.

2. Market risks

(a) Changes in government spending

Given the significance of public sector contracts to the Staffing Business, any cut in public spending could have a material adverse effect on the Staffing Business's operations and/or financial condition. Cuts in government spending may occur for a variety of reasons, the majority of which are outside the control of the Staffing Business, including a change in government or a spending review.

(b) Regulation

The Staffing Business's operations are subject to laws and regulations. There can be no assurance that its operations will not be subject to increased regulation which could have an adverse effect on the Staffing Business's operations (including, without limitation, increasing its administrative or regulatory compliance costs or by restricting the Staffing Business's operations). There can be no assurance that the Staffing Business will be able to comply with any new regulation or law to which it might become subject.

(c) Competition

Competition for the provision of the Staffing Business's services may increase significantly and this may limit the ability of the Staffing Business in the future to maintain market share or revenue levels. Competitors may have greater access to financial resources than the Staffing Business. There can be no assurance that the Staffing Business will be able to compete in its market place in the future.

(d) Barriers to entry

All temporary healthcare providers are now subject to rigorous quality assurance standards and compliance with these standards acts as a barrier to entry for smaller providers. Additional criteria are now set by the NHS and have restricted those with whom the NHS does business. There can be no assurance that further quality assurance standards will not be introduced or that, if they are, the Staffing Business will be able to comply with them.

When supplying services at a national level and to major customers, barriers to entry have increased in recent years. However, at a local level, barriers to entry for small independent operators servicing small local customers are more limited which could allow smaller operators to attract an increasing market share, which might have an adverse effect on the results of the Staffing Business.

3. Risks relating to general economic trends

(a) Economic downturn

Healthcare companies are generally not directly affected by economic cycles but are affected by government decisions on the level of funding to the NHS and to local authorities for social services expenditure. Previous cycles of decline in government expenditure have resulted in a shift in activity

from the NHS to the independent sector, where business is more reliant on the population's ability to pay for services. However, if funding levels were to be reduced at the same time as an economic downturn, this could have a material adverse impact on the results of the Staffing Business.

(b) Interest rates

The interest payable on Pinnacle's borrowings is calculated on a floating rate basis by reference to the Bank of England base rate. Accordingly, movements in interest rates may have a significant impact on Pinnacle's net profits.

4. Other risks

(a) Impact of the Demerger

The Staffing Business has in the past relied on the Continuing Group for certain services, including information technology, accounts payable and payroll functions. After the Demerger, the Pinnacle Group will operate as an independent group. NPSL and Pinnacle Health Care will enter into the Transitional Services Agreement in order to ensure the continuation or orderly discontinuance, as appropriate, of certain services and arrangements. There can be no assurance that suppliers currently servicing the Continuing Group will continue to provide the same level of pricing, support and upgrades (including during the term of the Transitional Services Agreement) following the establishment of the Staffing Business. Their failure to do so could have a material adverse effect on the results of the operations and financial condition of the Staffing Business.

(b) No prior public trading of Pinnacle Shares

Prior to the Demerger Date, there has been no public trading market for the Pinnacle Shares. There can be no assurance that an active trading market for the Pinnacle Shares will develop or, if one does develop, that it will be sustained following completion of the Demerger. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Pinnacle Shares could be adversely affected.

(c) The Company will be admitted to trading on AIM

Application has been made for the Pinnacle Shares to be admitted to trading on AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to companies on the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but the future success and liquidity in the market for Pinnacle Shares cannot be guaranteed.

(d) Substantial future sales of Pinnacle Shares could impact their market price

On Admission, there will be 87,633,070 Pinnacle Shares in issue. The possibility of a substantial number of Pinnacle Shares being offered for sale by the Pinnacle Shareholders following Admission could have an adverse effect on the market price of the Pinnacle Shares.

(e) Trading of Pinnacle securities

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Pinnacle Shares may prove to be highly volatile and may fluctuate in response to a number of factors, some of which are beyond Pinnacle's control, including: changes in financial estimates by securities analysts; changes in the market valuation of similar companies; announcements of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; loss of a major customer; additions or departures of key personnel; any shortfall in turnover or profits or any increase in losses from levels expected by securities analysts; future issues or sales of shares; and stock market price and volume fluctuations. Any of these events could result in a material decline in the price or liquidity of the Pinnacle Shares.

PART III

FURTHER INFORMATION RELATING TO THE DEMERGER

1. Summary of the Demerger

Overview of the Demerger

A new independent company, Pinnacle, has been established as the holding company to which the issued share capital of Pinnacle Health Care will be demerged. Application has been made to the London Stock Exchange for the Pinnacle Shares to be admitted to trading on AIM. The Demerger requires the approval of Nestor Shareholders. It is expected that, subject to the passing of the Resolution, the Demerger will become effective on 5 September 2006.

Basis of the Demerger

The Demerger is conditional upon:

- (i) the passing of the Resolution to be proposed at the EGM;
- (ii) the completion of the transactions contemplated by the Transfer Agreement;
- (iii) the entire issued share capital of each Pinnacle Health Care Subsidiary having been acquired by Pinnacle Health Care;
- (iv) neither Pinnacle nor Hawkpoint having exercised their respective rights to terminate the Nominated Adviser Agreement;
- (v) neither Pinnacle nor Brewin Dolphin having exercised their respective rights to terminate the Broker Engagement Letter; and
- (vi) permission having been granted by the London Stock Exchange for the admission to trading on AIM of the Pinnacle Shares by not later than 14 days after the date of the passing of the Resolution.

The Demerger will be effected by Nestor declaring a special dividend, equal to the book value of Nestor's shareholding in Pinnacle Health Care on Demerger, which will be satisfied, *in specie*, by the allotment and issue by Pinnacle of Pinnacle Shares, credited as fully paid, to Qualifying Shareholders, in consideration for the transfer by Nestor to Pinnacle of the entire issued share capital of Pinnacle Health Care.

Prior to the Demerger, Nestor or NPSL, as the case may be, will transfer the entire issued share capital of the Pinnacle Health Care Subsidiaries to Pinnacle Health Care. The transfers are required to enable Pinnacle Health Care to operate the Staffing Business with effect from the completion of the Demerger.

If the Demerger becomes unconditional, Qualifying Shareholders will receive one Pinnacle Share, credited as fully paid, for each Nestor Share they hold at the Demerger Record Time.

Further details of the Demerger Agreement between Nestor and Pinnacle and the agreements to be entered into pursuant thereto are set out in paragraph 7 of Part V of this document.

2. Admission, dealings and settlement arrangements

Application has been made to the London Stock Exchange for the Pinnacle Shares to be admitted to trading on AIM. Following completion of the Demerger, Admission is expected to become effective and dealings in the Pinnacle Shares are expected to commence at 8.00 a.m. on 5 September 2006. The latest time and date for lodging transfers of Nestor Shares with Computershare Investor Services PLC in order to be registered by the Demerger Record Time is 5.00 p.m. on 4 September 2006.

The entitlement to receive Pinnacle Shares pursuant to the Demerger is not transferable.

Assuming the Resolution is passed, no action need be taken by Qualifying Shareholders to receive Pinnacle Shares pursuant to the Demerger.

Where applicable, definitive share certificates in respect of Pinnacle Shares issued pursuant to the Demerger are expected to be posted to Qualifying Shareholders by 14 September 2006. Share certificates will be dispatched at the Qualifying Shareholders' risk. Prior to dispatch of definitive share

certificates in respect of those Pinnacle Shares which are not settled in CREST, transfers of those Pinnacle Shares will be certified against the register of members of Pinnacle. No temporary documents of title for Pinnacle Shares will be issued.

Qualifying Shareholders who hold their Nestor Shares in uncertificated form through CREST will receive the appropriate number of uncertificated Pinnacle Shares into the CREST accounts in which their Nestor Shares are held following the Demerger becoming effective. It is expected that, subject to approval by CRESTCo, dealings in Pinnacle Shares will be settled in the CREST system from 5 September 2006.

PART IV

ACCOUNTANTS' REPORT AND FINANCIAL INFORMATION



PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

The Directors
Pinnacle Staffing Group plc
Senator House
85 Queen Victoria Street
London
EC3A 4LJ

The Directors
Hawkpoint Partners Limited
4 Great St Helen's
London
EC3A 6HA

17 August 2006

Dear Sirs,

Pinnacle Staffing Group plc (“the Company”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 17 August 2006. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

The Company was incorporated on 23 June 2006. Save for entering into the conditional agreements referred to in paragraph 7 of Part V of the Admission Document, the Company has not yet commenced trading, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

Responsibilities

The Directors are responsible for preparing the financial information on the basis of preparation set out in note 1 and on the basis of UK GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purpose of the Admission Document dated 17 August 2006, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in note 1 and on the basis of UK GAAP.

Declaration

For the purpose of paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Financial information

The balance sheet of the Company at 30 June 2006 was as follows:

	Notes	£
Current assets		
Other debtors		—
Net assets		—
Represented by:		
Share capital (issued share capital of 20 pence)	2	—

Notes to the financial information

1 Basis of preparation and accounting policies

The balance sheet has been prepared in accordance with the historical cost convention.

2 Share capital

The Company was incorporated with an authorised share capital of £50,001, comprising 10 ordinary shares of 10 pence each and 500,000 cumulative redeemable preference shares of 10 pence each. Two ordinary shares were allotted for cash on incorporation.

The cumulative redeemable preference shares attract a fixed cumulative preferential dividend of 0.001 per cent. per annum. On a return of capital, the cumulative redeemable preference shares rank above the ordinary shares. The cumulative redeemable preference shares are redeemable at the Company's option. No voting rights on general matters attach to the cumulative redeemable preference shares unless the fixed dividend on such shares is in arrears.

The holders of the ordinary shares are entitled to vote, receive dividends and share in a return of capital after the holders of the cumulative redeemable preference shares.

On 11 July 2006 the cumulative redeemable preference shares were converted into ordinary shares.

The Directors
Pinnacle Staffing Group plc
Senator House
85 Queen Victoria Street
London
EC3A 4LJ

The Directors
Hawkpoint Partners Limited
4 Great St Helen's
London
EC3A 6HA

17 August 2006

Dear Sirs,

Staffing Business

We report on the financial information on the business which, following the Demerger from Nestor, as described in the Admission Document dated 17 August 2006, will be owned by Pinnacle. This financial information has been prepared for inclusion in the Admission Document dated 17 August 2006 of Pinnacle on the basis of the accounting policies set out in note 2. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The directors of the Staffing Business are responsible for preparing the financial information on the basis of preparation set out in note 1 and on the basis of UK GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Staffing Business's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purpose of the Admission Document dated 17 August 2006, a true and fair view of the state of affairs of the Staffing Business as at the dates stated and its results, cash flows, recognised gains and losses and movements in parent company investment for the periods then ended in accordance with the basis of preparation set out in note 1 and on the basis of UK GAAP.



Declaration

For the purpose of paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

**Combined profit and loss account
for the years ended 31 December 2003, 2004 and 2005**

	Notes	2003 £000	2004 £000	2005 £000
Turnover	2	182,648	138,864	103,311
Cost of sales		(143,180)	(110,703)	(82,549)
Gross profit		39,468	28,161	20,762
Administrative expenses		(28,482)	(31,684)	(29,665)
Operating profit/(loss)	4	10,986	(3,523)	(8,903)
Analysed as:				
Operating profit before goodwill amortisation, impairment and exceptional items		12,408	4,090	2,663
Goodwill amortisation	10	(1,422)	(1,848)	(1,811)
Goodwill impairment	10	—	—	(9,755)
Exceptional item — restructuring cost	5	—	(5,765)	—
Interest payable	7	(866)	(1,633)	(1,394)
Profit/(loss) on ordinary activities before taxation		10,120	(5,156)	(10,297)
Tax (charge)/credit on profit/loss on ordinary activities	8	(2,036)	198	(338)
Profit/(loss) on ordinary activities after taxation		8,084	(4,958)	(10,635)
Earnings/(loss) per share				
Basic and diluted	9	9.22p	(5.66p)	(12.14p)

The historical cost profit/(loss) on ordinary activities before taxation and the historical cost profit/(loss) retained for the year after taxation are the same as the profit/(loss) on ordinary activities before taxation as reported above.

The financial information above may not be representative of future results; for example the historical capital structure does not reflect the future capital structure. Future income and expense, certain operating expenses and tax charges may be significantly different from those that resulted from being a division of Nestor.

**Statement of total recognised gains and losses
for the years ended 31 December 2003, 2004 and 2005**

	Notes	2003 £000	2004 £000	2005 £000
Profit/(loss) for the year		8,084	(4,958)	(10,635)
Total gains/(losses) recognised		<u>8,084</u>	<u>(4,958)</u>	<u>(10,635)</u>

**Reconciliation of movement in parent company's investment
for the years ended 31 December 2003, 2004 and 2005**

	Notes	2003 £000	2004 £000	2005 £000
Profit/(loss) for the year		8,084	(4,958)	(10,635)
Opening parent company's investment	18	<u>26,741</u>	<u>34,825</u>	<u>29,867</u>
Closing parent company's investment	18	<u>34,825</u>	<u>29,867</u>	<u>19,232</u>

Balance sheet
as at 31 December 2003, 2004 and 2005

	Notes	2003 £000	2004 £000	2005 £000
Fixed assets				
Intangible assets	10	30,945	28,353	16,056
Tangible fixed assets	11	1,857	1,648	1,242
Total fixed assets		<u>32,802</u>	<u>30,001</u>	<u>17,298</u>
Current assets				
Debtors	14	21,121	16,862	12,483
Current liabilities				
Creditors — amounts falling due within one year	15	(18,988)	(16,708)	(10,252)
Net current assets		<u>2,133</u>	<u>154</u>	<u>2,231</u>
Total assets less current liabilities		34,935	30,155	19,529
Provisions for liabilities and charges	16	(110)	(288)	(297)
Net assets		<u>34,825</u>	<u>29,867</u>	<u>19,232</u>
Investment by parent company	18	<u>34,825</u>	<u>29,867</u>	<u>19,232</u>
Total equity		<u><u>34,825</u></u>	<u><u>29,867</u></u>	<u><u>19,232</u></u>

**Combined cash flow statement
for the years ended 31 December 2003, 2004 and 2005**

	Notes	2003 £000	2004 £000	2005 £000
Net inflow from operating activities	19	16,998	500	7,136
Returns on investments and servicing of finance				
Interest paid		(866)	(1,633)	(1,394)
Net outflow from returns on investments and servicing of finance		(866)	(1,633)	(1,394)
Taxation		(2,036)	198	(338)
Net inflow/(outflow) before investing activities		14,096	(935)	5,404
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(1,558)	(713)	(258)
Sale of tangible fixed assets		829	39	–
Net outflow from capital expenditure		(729)	(674)	(258)
Acquisitions				
Purchase of businesses and subsidiary undertakings	13	(9,250)	(383)	(1,523)
Net outflow from acquisitions		(9,250)	(383)	(1,523)
Net inflow/(outflow) before movements in funding due to parent company	19	4,117	(1,992)	3,623
(Decrease)/increase in funding due to parent company		(4,117)	1,992	(3,623)
Net movement in cash		–	–	–

All cash balances have been held by the parent company throughout the periods reported.

Notes to the financial statements

for the years ended 31 December 2003, 2004 and 2005

1 Basis of preparation

The financial information is extracted from the consolidation working papers that support the audited financial statements of Nestor for the three years ended 31 December 2005. Separately identifiable assets, liabilities, revenues and costs of the Staffing Business have been directly extracted where applicable. Non-separable items have been allocated to the demerged business on bases that the Directors believe to be reasonable and consistent with the methodology used in calculating the apportionments of assets, liabilities and costs as reported by Nestor for the purposes of its segmental reporting.

Sales, cost of sales and those administrative expenses incurred at branch level have been compiled over the reporting period branch by branch consistent with the composition of the Staffing Business being demerged. Other administrative costs incurred at regional level and central administrative costs borne by Nestor have been allocated to the Staffing Business in a manner consistent with that adopted in compiling the segmental analysis reported historically by Nestor, after allowing for the effect of certain subsequent transfers of businesses between segments. Allocation methods have included apportionment by numbers employed, assets employed and turnover.

Charges for goodwill amortisation have been calculated by reference to that part of the goodwill on consolidation disclosed within the accounts of Nestor that relates to the Staffing Business. Where further evidence has arisen, after the signature date of the financial statements of Nestor, relating to the carrying value of goodwill at 31 December 2005, this has been treated as an adjusting post balance sheet event and is reflected in the financial information, the financial effect of which is stated in note 10.

Charges for exceptional items, interest payable and tax have been calculated by appropriate apportionment of the total of such costs that have been borne by Nestor.

The balance sheet categories of intangible assets, tangible assets, debtors, creditors and provisions are specific to the Staffing Business consistent with the composition of the business being demerged.

Amounts due to other companies within the Nestor Group, shown within creditors, have been analysed between amounts due arising from trading and amounts due arising from cash being transferred to or from the central treasury function within Nestor.

The investment by parent company reflects the equivalent of equity investment by Nestor in the Staffing Business.

2 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with UK GAAP and the Companies Act 1985 under the historical cost convention.

Basis of consolidation

The results of businesses acquired are included from the effective date of acquisition and businesses sold are included up to the date of disposal. The accounting reference date of the entity of which the business forms part is 31 December.

Turnover

Revenue is recognised in the profit and loss account when goods or services are supplied to external customers against orders received.

Goodwill and amortisation

Purchased goodwill, being the excess of the purchase consideration over the fair value of the net assets of newly acquired undertakings, is capitalised on the balance sheet, and amortised over its useful economic life not exceeding 20 years. The carrying value of goodwill is assessed at the end of the first full financial year following the acquisition and thereafter if there is any indication of impairment. Any impairment in value is charged to the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and impairment. Depreciation is calculated so as to write down the cost of tangible assets to their estimated residual value in equal instalments over their estimated useful lives. The range of estimated useful lives, which are reviewed annually, are:

Plant and equipment, fixtures and fittings (including computer equipment)	3 to 8 years
--	--------------

Corporation tax

The amount included in the profit and loss account is based on pre-tax reported income/losses and is calculated at current tax rates, taking into account timing differences and the likelihood of realisation of any deferred tax assets and liabilities.

Pension costs

Pension costs are charged to the profit and loss account in such a way as to provide for the liabilities evenly over the average remaining working lives of the employees.

The two defined benefit pension schemes operated by Nestor will continue to be operated solely by them following the Demerger. The Staffing Business will not assume any assets, liabilities or obligations relating to these schemes. It is anticipated that employees of the Staffing Business will be eligible to participate in one or more new defined contribution pension schemes that will be established by that business.

Leases

Lease payments are charged to the profit and loss account in the year to which they relate on a straight-line basis.

Foreign currency

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

Interest payable

Interest payable has been calculated as a proportion of the interest payable by the parent company, by reference to the proportion of the Staffing Business net operating assets to total net operating assets of the consolidated Nestor Group.

Provisions

Provisions relate to lease dilapidations obligations relating to properties that continue to be occupied by the Staffing Business. They are not discounted.

Related party transactions

On Demerger, Pinnacle Health Care will enter into the Transitional Services Agreement with NPSL to govern the continuing provision of certain services by that group to the Staffing Business. Such services will include, but will not be limited to, information technology, invoicing, financial accounting and other systems, and payroll. Charges will be made by Nestor to the Staffing Business for provision of these services on an arm's length basis.

3 Segmental reporting

No segmental analysis is provided as the business is considered to be one homogeneous activity trading in one market. The UK was the origin and destination of all of the business's turnover in each year. All turnover is derived from external customers.

4 Operating profit

	2003 £000	2004 £000	2005 £000
Operating profit is stated after charging			
Employee costs (note 6)	16,081	14,464	11,690
Depreciation (note 11)	787	882	664
Amortisation of goodwill	1,422	1,848	1,811
Impairment of goodwill	–	–	9,755
Operating lease rentals:			
Land and buildings	1,220	1,188	902
Plant and machinery	81	701	260
Exceptional items (see note 5)	<u>–</u>	<u>5,765</u>	<u>–</u>

Audit fees have been borne by the parent company.

5 Exceptional items

	2003 £000	2004 £000	2005 £000
Exceptional items charged to the profit and loss account comprise			
Asset impairments and write offs	–	2,083	–
Onerous property lease costs	–	2,108	–
Severance and other reorganisation costs	–	896	–
Settlement of payroll tax liability relating to a discontinued operation	<u>–</u>	<u>678</u>	<u>–</u>
	<u>–</u>	<u>5,765</u>	<u>–</u>

In 2004, the Nestor Group underwent a fundamental reorganisation of its business activity, incurring certain exceptional costs. The costs detailed above are apportionments of the total costs borne by the Nestor Group which are estimated to be borne by the Staffing Business.

- (a) Asset impairments and write offs of £2,083,000 relate to the value of assets written down or written off when the Nestor Group has ceased operations, and ceased occupancy, in certain locations.
- (b) Onerous lease costs identified following the rationalisation of the branch network across all branch activities. A charge of £2,108,000 has been taken, taking into account estimates of the length of time properties will be vacant (net of any potential sub-lease income where this can be estimated with a high degree of probability) together with any dilapidation costs and other costs associated with the termination or disposal of leases.
- (c) Severance and other reorganisation costs amounting to £896,000 primarily relate to amounts paid or payable to employees whose redundancies had been initiated by 31 December 2004.
- (d) The settlement of a tax liability relating to a discontinued operation, amounting to £678,000, relates to the sale of the Nestor Group's US staffing business, CCS, in 1999. The Internal Revenue Service of the United States issued a payroll tax assessment against CCS and its partners in 1998 amounting to \$21.8 million. In February 2004, CCS and its partners submitted a written offer to the Department of Justice of the United States proposing to settle all claims for a cash sum of \$13.0 million, the Nestor Group's share of which would be \$2.9 million. In 2005 the Nestor Group received advice that the US authorities are likely to accept this settlement offer. The Nestor Group has accordingly considered it appropriate to take an exceptional charge of \$3.125 million (including estimated legal costs), equivalent to £1,577,000 at the US dollar exchange rate of \$1.87 used. The element of this cost to be apportioned to the Staffing Business is £678,000.

A tax credit of £933,000 has been recognised in respect of all the exceptional charges made in the year to 31 December 2004.

6 Employees

	2003 £000	2004 £000	2005 £000
Employee costs:			
Wages and salaries	14,242	12,877	10,367
Social security costs	1,242	1,140	870
Other pension costs	597	447	453
	<u>16,081</u>	<u>14,464</u>	<u>11,690</u>
	2003	2004	2005
Average number of persons employed:			
Full-time	459	492	378
Part-time	<u>352</u>	<u>288</u>	<u>135</u>
	<u>811</u>	<u>780</u>	<u>513</u>

7 Interest payable

	2003 £000	2004 £000	2005 £000
Interest payable on financing	<u>(866)</u>	<u>(1,633)</u>	<u>(1,394)</u>
Total interest	<u>(866)</u>	<u>(1,633)</u>	<u>(1,394)</u>

Interest payable has been calculated as a proportion of the interest payable by the parent company, by reference to the proportion of the Staffing Business net operating assets to total net operating assets.

8 Taxation

	2003 £000	2004 £000	2005 £000
UK corporation tax (charge)/credit on taxable profits for the year	<u>(2,036)</u>	<u>198</u>	<u>(338)</u>
Tax (charge)/credit for the year	<u>(2,036)</u>	<u>198</u>	<u>(338)</u>

The effective tax rate for the year varies from the standard rate of corporation tax (30.00 per cent. in each period) for the UK. The differences are explained below:

	2003 £000	2004 £000	2005 £000
Loss/(profit) on ordinary activities at the standard rate of corporation tax at 30 per cent.	(3,463)	1,547	3,089
Exceptional charges not deductible	-	(796)	-
Goodwill amortisation not deductible	(427)	(554)	(543)
Goodwill impairment not deductible	-	-	(2,926)
Timing and other differences	<u>1,854</u>	<u>1</u>	<u>42</u>
Current tax (charge)/credit for the year	<u>(2,036)</u>	<u>198</u>	<u>(338)</u>

The effective tax rate for future years is expected to approximate to 30 per cent. calculated on profit before goodwill amortisation.

Deferred tax balances and charges/(credits) have remained the responsibility of Nestor and certain of its subsidiaries throughout the reporting period and will be retained by the Nestor Group following the Demerger.

9 Earnings per share

	2003	2004	2005
Basic earnings/(loss) per 10 pence share	<u>9.22p</u>	<u>(5.66p)</u>	<u>(12.14p)</u>

The number of shares assumed for the purpose of calculating earnings per share in each period is 87,633,070, which represents the opening number of 10 pence shares in issue on Demerger.

No share options have historically been issued; hence diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

10 Intangible assets

	2003 £000	2004 £000	2005 £000
Goodwill			
Cost			
At beginning of the year	23,558	34,038	33,294
Additions	10,480	–	23
Reductions	–	(744)	(754)
At end of the year	<u>34,038</u>	<u>33,294</u>	<u>32,563</u>
Aggregate amortisation			
At beginning of the year	1,671	3,093	4,941
Charge for the year	1,422	1,848	1,811
Impairment	–	–	9,755
At end of the year	<u>3,093</u>	<u>4,941</u>	<u>16,507</u>
Net book value			
At end of the year	<u>30,945</u>	<u>28,353</u>	<u>16,056</u>
At beginning of the year	<u>21,887</u>	<u>30,945</u>	<u>28,353</u>

The goodwill arising on all acquisitions is being amortised on a straight-line basis over 20 years. This is the period over which the Directors have estimated that the value of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Evaluations of the carrying value of goodwill have been performed by discounting current projected future cash flows using a pre-tax nominal discount rate equivalent to the estimated weighted average cost of capital currently applicable to the Nestor Group. The result of this exercise was that the carrying value of goodwill previously recorded at 31 December 2005 was impaired by £9,755,000.

11 Tangible fixed assets

	Plant & equipment, fixtures & fittings 2003 £000	Plant & equipment, fixtures & fittings 2004 £000	Plant & equipment, fixtures & fittings 2005 £000
Cost			
At beginning of the year	8,054	8,809	9,158
Additions	1,558	713	258
On acquisition of businesses and subsidiary undertakings	43	(1)	–
Disposals	(846)	(363)	–
At end of the year	<u>8,809</u>	<u>9,158</u>	<u>9,416</u>
Depreciation			
At beginning of the year	6,182	6,952	7,510
Disposals	(17)	(324)	–
Charge for the year	787	882	664
At end of the year	<u>6,952</u>	<u>7,510</u>	<u>8,174</u>
Net book value			
At end of the year	<u>1,857</u>	<u>1,648</u>	<u>1,242</u>
At beginning of the year	<u>1,872</u>	<u>1,857</u>	<u>1,648</u>

Disposals include amounts eliminated on the write off of assets when the Nestor Group has ceased operations, and ceased occupancy, in certain locations.

12 Capital commitments

	2003 £000	2004 £000	2005 £000
Capital expenditure that has been contracted but not provided for	<u>57</u>	<u>–</u>	<u>–</u>

13 Principal subsidiary and acquisitions

The following subsidiary company is wholly owned including 100 per cent. voting rights, operates in the United Kingdom and is registered in England & Wales.

Principal undertaking

Undertaking

Holt Medical Recruitment Limited

Business

Flexible staffing in UK healthcare

Business acquisitions

During 2003, Nestor purchased two staffing companies for a total consideration of £11,416,000, plus capitalised costs of acquisition amounting to £166,000. The companies acquired were Holt and Pinnacle Health Care Limited, which has now changed its name to Nestor Social Care Limited (“NSCL”). Both of these purchases were accounted for as acquisitions.

In 2004 and 2005, adjustments were made to reduce the total consideration for these two acquisitions by £513,000, reflecting the finalisation of contingent consideration payable under the various purchase agreements, partly offset by additional capitalised costs of £30,000. Adjustments to goodwill in 2004 and 2005 reflected both the reduction in total consideration and also the finalisation of net assets acquired following detailed review.

The fair values of the assets and liabilities acquired in 2003, which represent their book values, and subsequent adjustments thereto and the goodwill arising are outlined in the table below.

The payment of final deferred consideration is expected to be finalised in 2006 and will be borne by Nestor or one of its subsidiary companies.

	Acquired in 2003 Holt £000	Acquired in 2003 NSCL £000	Adjustments made in 2004 £000	Adjustments made in 2005 £000	Total £000
Fixed assets	37	6	(1)	—	42
Current assets and liabilities					
Debtors and prepayments	1,759	692	737	—	3,188
Creditors and accruals	(801)	(437)	391	—	(847)
Net (overdraft)/cash	(162)	14	(135)	—	(283)
Net current assets	796	269	993	—	2,058
Creditors — amounts falling due after more than one year	(5)	(1)	—	—	(6)
Net assets acquired	828	274	992	—	2,094
Purchase consideration	9,250	2,166	241	(754)	10,903
Costs of acquisition	124	42	7	23	196
Total cost	9,374	2,208	248	(731)	11,099
Total goodwill arising in year	8,546	1,934	(744)	(731)	9,005

	2003 £000	2004 £000	2005 £000
Funding flows in respect of purchase of businesses			
Total consideration	11,416	241	(754)
Costs of acquisition	166	7	23
	11,582	248	(731)
Less: deferred and retained consideration accrued, not yet paid	(2,480)	—	—
Add: deferred and retained consideration previously accrued, now released	—	—	754
	9,102	248	23
Net overdraft acquired	148	135	—
	9,250	383	23
Deferred and retained consideration previously accrued, subsequently paid	—	—	1,500
Total net cash flows in respect of purchase of businesses	9,250	383	1,523

From the date of acquisition to 31 December 2003, Holt contributed £3,856,000 to turnover and £407,000 to operating profit before interest and goodwill amortisation, whilst NSCL contributed £1,013,000 to turnover and £261,000 to operating profit before interest and goodwill amortisation.

In the year ended 31 July 2003, the last full financial year prior to acquisition, Holt reported profit after tax of £811,000. For the period 1 August 2003 to 30 September 2003, Holt reported profit after tax of £401,000.

In the year ended 30 October 2003, the financial year ended on the date of acquisition, NSCL reported profit after tax of £444,000.

14 Debtors

	2003 £000	2004 £000	2005 £000
Trade debtors:			
— Gross	17,144	17,244	11,349
— Bad debt provision	(1,115)	(1,103)	(669)
Other debtors	840	521	1,465
Prepayments and accrued income	<u>4,252</u>	<u>200</u>	<u>338</u>
Total debtors	<u>21,121</u>	<u>16,862</u>	<u>12,483</u>

15 Creditors — amounts falling due within one year

	2003 £000	2004 £000	2005 £000
Trade creditors	1,376	3,465	3,336
Trading balances owed to NPSL	2,753	2,129	1,587
Funding balances due to Nestor	3,798	5,790	2,167
Other tax and social security	3,852	625	425
Other creditors	346	2,189	2,586
Deferred consideration	2,480	2,350	96
Accruals and deferred income	<u>4,383</u>	<u>160</u>	<u>55</u>
	<u>18,988</u>	<u>16,708</u>	<u>10,252</u>

The liability for deferred consideration has been transferred to the parent company subsequent to 31 December 2005.

16 Provisions for liabilities and charges

	2003 £000	2004 £000	2005 £000
At beginning of the year	24	110	288
Transfer to profit and loss account	86	188	32
Utilised in the year	<u>—</u>	<u>(10)</u>	<u>(23)</u>
At end of the year	<u>110</u>	<u>288</u>	<u>297</u>

Provisions relate to lease dilapidations obligations relating to properties that continue to be occupied by the Staffing Business.

17 Financial instruments

Fair values of all financial assets and financial liabilities

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale. The fair values of trade and other debtors, being classed as short-term financial assets, are considered to be the same as their book values at each year end. The fair values of trade and other creditors, being classed as short-term financial liabilities, are considered to be the same as their book values at each year end. The fair values of provisions, being classed as long-term financial liabilities, are considered to be the same as their book values at each year end.

18 Parent company's investment

	2003 £000	2004 £000	2005 £000
At beginning of the year	26,741	34,825	29,867
Retained profit/(loss) for the year	<u>8,084</u>	<u>(4,958)</u>	<u>(10,635)</u>
At end of the year	<u>34,825</u>	<u>29,867</u>	<u>19,232</u>

19 Notes to the cash flow statement

	2003 £000	2004 £000	2005 £000
Reconciliation of operating profit to net cash inflow from operations			
Operating profit/(loss)	10,986	(3,523)	(8,903)
Amortisation of goodwill	1,422	1,848	1,811
Impairment of goodwill	–	–	9,755
Depreciation	787	882	664
Increase in provisions	86	178	9
Decrease in debtors	14,206	5,740	4,379
Decrease in creditors	<u>(10,489)</u>	<u>(4,625)</u>	<u>(579)</u>
Net cash inflow from operating activities	<u>16,998</u>	<u>500</u>	<u>7,136</u>
	2005 £000	2004 £000	2003 £000
Reconciliation of net cash flow to movement in funding due to parent company			
Decrease/(increase) in funding due to parent company	<u>4,117</u>	<u>(1,992)</u>	<u>3,623</u>
	4,117	(1,992)	3,623
Net funding at beginning of the year	<u>(7,915)</u>	<u>(3,798)</u>	<u>(5,790)</u>
Net funding at end of the year	<u>(3,798)</u>	<u>(5,790)</u>	<u>(2,167)</u>

20 Operating lease commitments

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

As at 31 December 2005 the net annual commitment in respect of operating leases for 2006 was as follows:

	Plant & equipment including motor vehicles £000	Land & buildings occupied £000	Total £000
For leases expiring			
within one year	71	229	300
between two and five years	132	419	551
beyond five years	<u>–</u>	<u>107</u>	<u>107</u>
	<u>203</u>	<u>755</u>	<u>958</u>

As at 31 December 2004 the net annual commitment in respect of operating leases for 2005 was as follows:

	Plant & equipment including motor vehicles £000	Land & buildings occupied £000	Total £000
For leases expiring			
within one year	192	325	517
between two and five years	93	607	700
beyond five years	—	563	563
	<u>285</u>	<u>1,495</u>	<u>1,780</u>

As at 31 December 2003 the net annual commitment in respect of operating leases for 2004 was as follows:

	Plant & equipment including motor vehicles £000	Land & buildings occupied £000	Total £000
For leases expiring			
within one year	192	334	526
between two and five years	93	623	716
beyond five years	—	578	578
	<u>285</u>	<u>1,535</u>	<u>1,820</u>

21 Directors' emoluments

No Directors' emoluments have been disclosed. Only one of the current Directors was directly employed by the Staffing Business during the three years ended 31 December 2005, and none of the roles she held in that period are considered to be equivalent to that of her current role as a Director.

Stephen Booty has been a director of Nestor throughout the reporting period. He received his total emoluments as director of that group; none of them were allocated to the Staffing Business, and it would not be practicable to determine the portion that did relate to it. His total emoluments as director of Nestor are disclosed in the remuneration report contained within the Annual Report and Accounts of that company.

PART V

ADDITIONAL INFORMATION

1. Incorporation and general

- 1.1 The Company was incorporated in England on 23 June 2006 under the name of Pinnacle Staffing Group plc (with registered number 05855668) as a public limited company under the Act. Its registered office is at Senator House, 85 Queen Victoria Street, London EC4V 4LJ and its principal place of business is at 6 Heddon Street, London W1C 4BT. The accounting reference date of the Company is 31 December.
- 1.2 The principal legislation under which the Company was formed and now operates is the Act. The Company is domiciled in the United Kingdom. The liability of its members is limited.
- 1.3 The Company is to be the holding company of the Pinnacle Group with effect from Demerger. On Demerger, it will have one wholly owned subsidiary, Pinnacle Health Care, which is incorporated in England and whose principal activity is the provision of nurses and carers, locum doctors and other medical personnel. Pinnacle Health Care has its registered office at Senator House, 85 Queen Victoria Street, London EC4V 4JL.

2. Share capital

- 2.1 The authorised and issued share capital of the Company (all of which is fully paid) upon Admission will be as follows:

Authorised			Issued		
Class	Amount	Number	Class	Amount	Number
Ord	£11,684,410	116,844,100	Ord	£8,763,307	87,633,070

- 2.2 The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company. No Pinnacle Shares are held by or on behalf of the Company or by its subsidiary.
- 2.3 The par value of each Pinnacle Share is 10 pence. The ISIN for the Pinnacle Shares is GB00B1899T70.
- 2.4 The Company has not issued Pinnacle Shares that are not credited as fully paid up.
- 2.5 The following alterations in the share capital of the Company have taken place since the date of incorporation of the Company:
- 2.5.1 On incorporation on 23 June 2006, the authorised share capital of the Company was £50,001 divided into 10 ordinary shares of 10 pence each and 500,000 redeemable preference shares of 10 pence each, of which 2 ordinary shares were issued, credited as fully paid, to the subscribers of the Memorandum of Association, being Stephen Booty and Martyn Ellis.
- 2.5.2 On 4 July 2006, Hawkpoint subscribed for the 500,000 redeemable preference shares at par, credited as fully paid.
- 2.5.3 On 11 July 2006, the redeemable preference shares were redeemed by the Company at par and were redesignated as ordinary shares of 10 pence each in the capital of the Company.
- 2.5.4 At completion of the Demerger, the Company will repurchase and cancel the two issued shares of 10 pence each referred to in sub-paragraph 2.5.1 above, increase its authorised share capital and will simultaneously allot and issue Pinnacle Shares to Qualifying Shareholders on the basis of 1 Pinnacle Share for each Nestor Share held at the Demerger Record Time.

- 2.6 The Directors currently have authority to issue Pinnacle Shares as follows:
- 2.6.1 on 4 July 2006, the Directors were, pursuant to a special resolution, generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate amount of £50,000 representing 99 per cent. of the authorised but unissued share capital, such authority to expire 15 months after the date of such resolution unless it is prior to its expiry duly revoked, varied or renewed; and
- 2.6.2 on 4 July 2006, the Directors were, pursuant to a special resolution, empowered (pursuant to section 95(1) of the Act) to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority described in paragraph 2.6.1 above as if section 89(1) of the Act did not apply to such allotment, such power expressed to expire 15 months after the date of such resolution unless it is prior to its expiry duly revoked, varied or renewed.
- 2.7 Prior to but conditional upon Admission, the Directors are expected to have been given authority to issue Pinnacle Shares as follows:
- 2.7.1 general and unconditional authority in accordance with section 80 of the Act to exercise all powers of the Company to allot relevant securities (as defined in that section) up to an aggregate amount of £11,684,410 (representing the amount of the issued share capital of the Company on Admission together with a further one-third of that amount, being £2,921,103) such authority to expire at the conclusion of the next annual general meeting of the Company or 15 months from the date on which such authority is given, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired; and
- 2.7.2 authority (in substitution for any existing such authority) pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the general authority described in paragraph 2.7.1 above as if section 89(1) of the Act did not apply to such allotment, provided that the authority shall be limited to:
- 2.7.2.1 the allotment of equity securities for cash in connection with a rights issue or any other pre-emptive offer to the holders of equity securities and other persons entitled to participate therein in proportion (as nearly as may be practicable) to the respective numbers of equity securities then held by them (or, as appropriate, the number of such securities which such other persons are for those purposes deemed to hold), but subject to such exclusions or other arrangements as the Directors may consider necessary, expedient or appropriate to deal with any fractional entitlements or legal or practical difficulties which may arise under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise howsoever; and
- 2.7.2.2 the allotment (otherwise than pursuant to paragraph 2.7.2.1 above) of equity securities for cash up to an aggregate nominal amount of the authorised but unissued share capital of the Company provided that following Admission such power shall be further limited to the allotment of equity securities of an aggregate nominal value as represents 10 per cent. of the issued share capital of the Company immediately following Admission,
- such authority to expire at the conclusion of the next annual general meeting of the Company or 15 months from the date on which such authority is given, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
- 2.8 The authorised but unissued share capital of the Company immediately following Admission will be £2,921,103, representing approximately 25 per cent. of the Company's authorised share capital, which the Directors will be authorised to allot pursuant to the authority referred to in paragraph 2.7.1 above.

- 2.9 Save as disclosed in paragraph 2.5 above, since its incorporation no capital of the Company has been allotted for cash or for a consideration other than cash.
- 2.10 No share or loan capital of the Company or of Pinnacle Health Care is under option or is agreed conditionally or unconditionally to be put under option.
- 2.11 The Pinnacle Shares will be in registered form but are also expected, from Admission, to be eligible to be dealt with through CREST. None of the Pinnacle Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Admission.
- 2.12 All holders of Pinnacle Shares will have the same voting rights and will have the right to attend and vote at general meetings of the Company or to appoint a proxy to attend and vote at such meetings on their behalf. Pinnacle Shareholders who are present in person or (being a corporation) are present by a duly appointed representative at a general meeting, can vote on a show of hands and will have one vote each. Proxies cannot vote on a show of hands. On a poll, every Shareholder present in person, by a duly appointed representative or by proxy will have one vote for every share held. At any general meeting, a resolution put to the vote of the meeting will be decided on a show of hands unless a poll is demanded.
- 2.13 Subject to the Act, any equity shares issued by the Company for cash must first be offered to Pinnacle Shareholders in proportion to their holdings of Pinnacle Shares. The Act allows for the disapplication of pre-emption rights which may be waived by a special resolution of the Pinnacle Shareholders, either generally or specifically, for a maximum period not exceeding five years. As noted in paragraph 2.6.2 of this Part V, the pre-emption rights referred to in this paragraph have been disappplied by the Company to the extent noted in that paragraph.
- 2.14 If the Company is wound up (whether the liquidation is voluntary, under supervision of the Court or by the Court), the liquidator can, with the authority of an extraordinary resolution of the Pinnacle Shareholders and any other sanction required by applicable law, divide among the Pinnacle Shareholders the whole or any part of the assets of the Company. This applies whether the assets consist of property of one kind or of different kinds. For this purpose, the liquidator can set such value as he considers fair upon any property and decide how such division is carried out as between the Pinnacle Shareholders. The liquidator can transfer any part of the assets to trustees upon such trust for the benefit of the Pinnacle Shareholders as the liquidator, acting under that resolution, decides.
- 2.15 Whilst the Pinnacle Shares are not redeemable, the Company may purchase or contract to purchase any of the Pinnacle Shares on or off market, subject to the Act and any other applicable regulatory requirements. The Company may only purchase Pinnacle Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.
- 2.16 The Articles will not contain any provisions relating to conversion of the Pinnacle Shares.
- 2.17 Save as set out below, the Pinnacle Shares will be freely transferable.
- 2.18 The Company may, under the Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest in its shares, and the extent of their interest in a particular holding of shares. If a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it and the shares which are the subject of the notice represent in aggregate at least 0.25 per cent. of that class of share, the Directors can decline to register any transfer of the shares which are the subject of the statutory notice.

Once a restriction notice has been given, the Directors are free to cancel it or exclude any shares from it at any time they think fit.

The Directors may also, without giving any reason, refuse to register the transfer of any Pinnacle Shares which are not fully paid. They may also decline to register a transfer of Pinnacle Shares in favour of more than four persons jointly.

- 2.19 The City Code applies to the Company. Under the City Code, if an acquisition of Pinnacle Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on

Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Pinnacle Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

- 2.20 Under the Act, if any offeror were to acquire or contract to acquire 90 per cent. of the Pinnacle Shares to which an offer relates within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Pinnacle Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Pinnacle Shareholders. The consideration offered to the Pinnacle Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.
- 2.21 The Act would also give minority Pinnacle Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Pinnacle Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Pinnacle Shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.
- 2.22 The offeror would be required to give any Shareholder notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Pinnacle Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Pinnacle Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.
- 2.23 There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

3. Memorandum of Association and Articles of Association

- 3.1 The principal objects of the Company, which are set out in clause 4 of the Memorandum of Association, are to act as a general commercial company.
- 3.2 The Articles of Association will contain, *inter alia*, provisions to the following effect:

3.2.1 Voting rights

Subject to paragraph 3.2.6 below, and to any special terms as to voting upon which any shares may for the time being be held, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by its duly appointed representative shall have one vote and on a poll every member present in person or by representative or proxy shall have one vote for every Pinnacle Share held by him. A proxy need not be a member of the Company.

3.2.2 Variation of rights

If at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

3.2.3 Alteration of capital

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into

shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company which are of the same class as those proposed to be purchased.

3.2.4 Transfer of shares

A member may transfer all or any of his shares (i) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the Directors and (ii) in the case of uncertificated shares, through CREST in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. The Directors may in their absolute discretion refuse to register a transfer of any share which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. Subject to paragraph 3.2.6 below, the Articles will contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

3.2.5 Dividends

3.2.5.1 The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits of the Company available for distribution and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified.

3.2.5.2 Subject to the Act and the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph 3.2.6 below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any part of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

3.2.5.3 All dividends unclaimed for a period of 12 years after the payment date for such dividend shall be forfeited and shall revert to the Company.

3.2.5.4 The Board may, if authorised by an ordinary resolution of the Company, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend. The Directors may at their discretion make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

3.2.6 Suspension of rights

If a member or any other person appearing to be interested in shares held by such member has been duly served with notice under section 212 of the Act and is in default in supplying to the Company within 14 days (or such longer period as may be specified in such notice) the information thereby required, then (unless the Directors determine) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class the payment of dividends may be withheld and such member shall not be entitled to transfer such shares otherwise than by arms length sale.

3.2.7 Return of capital

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Pinnacle Shares are entitled to share in any surplus assets pro rata to the amount paid up on their Pinnacle Shares. A liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trust for the benefit of the members.

3.2.8 Pre-emption rights

There will be no rights of pre-emption under the Articles of Association in respect of transfers of issued Pinnacle Shares.

In certain circumstances, Pinnacle Shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing Pinnacle Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to Pinnacle Shareholders.

3.2.9 Borrowing powers

The Directors may exercise all the powers of the Company to borrow or raise money, to mortgage or charge its undertaking, property, assets and uncalled capital and, subject to section 80 of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company, any subsidiary of the Company or any third party. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the Company or any of its subsidiaries from such companies) shall not at any time without the previous sanction of the Pinnacle Shareholders in general meeting exceed five times the aggregate of the nominal capital of the Company for the time being issued and paid up and the amounts standing to the credit of the consolidated capital and reserves of the Company and each of its subsidiary companies whether distributable or undistributable (including, without limitation, any share premium account, capital redemption reserve, property revaluation reserve and profit and loss account).

3.2.10 Shareholder meetings

An annual general meeting is to be held once every year at such time and place as may be determined by the Directors. Annual general meetings should be held within a period of not more than 15 months after the holding of the last preceding annual general meeting. Extraordinary general meetings may be called whenever the Directors think fit or when one has been requisitioned in accordance with the Act. Two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

Annual general meetings and any other meetings to consider a special resolution or requiring special notice are called on 21 days notice in writing, exclusive of the day of which it is served or deemed to be served and of the day on which the meeting is to be held. Other extraordinary general meetings are to be called on 14 days notice in writing exclusive of the day on which it is served or deemed to be served and the day on which it is to be held. The annual general meeting may be called on shorter notice providing all members entitled to attend and vote thereat agree and an extraordinary general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the extraordinary general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent. Notice is to be given to all members on the register at the close of business on a day determined by the Company, such day being not more than 21 days before the day that the notice of meeting is sent.

The Company may specify in the notice of meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is

entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not be a member.

3.2.11 Directors

Save as provided in the Articles of Association, a Director shall not vote as a director of the Company in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he has any interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company), and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- 3.2.11.1 the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company; or
- 3.2.11.2 the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- 3.2.11.3 an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; or
- 3.2.11.4 any other company in which he or any person connected with him is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company) of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances); or
- 3.2.11.5 an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- 3.2.11.6 the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

Fees may be paid out of the funds of the Company to Directors who are not managing or executive directors at such rates as the Directors may from time to time determine, provided that such fees do not in the aggregate exceed such figure as the Company may by ordinary resolution from time to time determine.

Any Director who devotes special attention to the business of the Company, or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such additional remuneration as the Directors or any committee appointed by the Directors may determine.

The Directors (including alternate Directors) shall be entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them respectively in

and about the business of the Company, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

A Director may hold any other office or employment with the Company (other than the office of auditor) in conjunction with his office of director of the Company for such period and on such terms as the Directors may determine and a Director or intending Director may enter into any contract, arrangement, transaction or proposal with the Company with regard to his tenure of any other such office or employment with the Company or as a vendor, purchaser or otherwise. No such contract, arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or any person connected with him is in any way directly or indirectly interested is liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, provided that he has disclosed his interest in accordance with the Act.

The remuneration and other terms and conditions of appointment of a Director appointed as managing director or to any other executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or by any or all or partly by one and partly by another or others of those modes.

Any statutory provision which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company.

4. Share Incentive Schemes

On Admission, the Company will adopt the Performance Share Plan. The Performance Share Plan will be operated in conjunction with the EBT.

4.1 *The Performance Share Plan*

The principal terms of the Performance Share Plan are as follows:

4.1.1 Eligibility

Any employee of the Pinnacle Group is eligible to be granted an award under the Performance Share Plan. The employees who actually participate will be selected at the sole discretion of the remuneration committee. It is intended that participation in the Performance Share Plan will be limited to key executives.

4.1.2 Grant

The remuneration committee may determine, in its discretion, which key executives may be made an award on any occasion and, subject to the limits under the Performance Share Plan, the number of shares subject to such award.

Each award shall take the form of a nil cost option with an exercise price set at zero which shall be granted by the trustee of the EBT, (the "Trustee") upon recommendation to do so by the remuneration committee.

Awards may be granted during the period of 42 days commencing on:

- Admission;
- the dealing day immediately following the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year;

- in any case where the AIM Rules or any statute or regulation or order made pursuant to such statute has prohibited the grant of awards, the dealing day immediately following the date on which such prohibition ceases to have effect; or
- any other time recommended to the Trustee by the remuneration committee where in its discretion circumstances are considered to be exceptional so as to justify the grant of awards.

No consideration is payable for the grant of an award.

Awards may not be granted at a time when such grant would be in breach of the AIM Rules.

4.1.3 Scheme limits

The aggregate number of shares which the Company may on any day issue for the purpose of the Performance Share Plan shall be limited so that in any ten year period, the number of shares issued for the purpose of satisfying awards granted under the Performance Share Plan or issued or then capable of being issued pursuant to options granted or rights obtained in such ten year period under any other employees' share scheme, profit sharing scheme or employee share ownership plan adopted by the Company shall not exceed 10 per cent. of the share capital of the Company in issue on that date.

4.1.4 Individual limit

No eligible employee is entitled to receive an award under the Performance Share Plan in any financial year of the Company if the market value of the shares subject to that award, when aggregated with the market value of the shares subject to all or any other awards made under the Performance Share Plan to that person in the same year, would exceed 100 per cent. of his annual salary.

4.1.5 Performance conditions

The exercise of awards granted under the Performance Share Plan will in normal circumstances be conditional upon the achievement of objective performance targets set at the time of grant. Such performance targets shall be measured over a performance period (determined by the remuneration committee at the time of grant but which shall not be less than three years) (the "Performance Period"). The extent to which such performance targets are met over the Performance Period shall determine the extent to which the awards are capable of exercise.

In relation to the initial grant of awards under the Performance Share Plan made after Admission, the remuneration committee intends that the Performance Period will be a three year period commencing on the date of the award and that the applicable performance target shall be the total shareholder return target ("TSR Target") as described below.

TSR Target

If the Company is ranked less than the 50th percentile by reference to its total shareholder return over the Performance Period relative to that of companies in a comparator group over the same period, then the award shall lapse in respect of all the shares subject to the award.

If the Company is ranked at the 50th percentile by reference to its total shareholder return over the Performance Period relative to that of companies in a comparator group over the same period, then the award shall be capable of exercise over 35 per cent. of the shares subject to the award.

For each complete percentile by which the Company is ranked above the 50th percentile, the award shall be capable of exercise over a further 2.6 per cent. of the shares subject to the TSR Target (rounded down to the nearest whole number of shares) with the effect that the award will be capable of exercise over all of the shares subject to the TSR Target if the Company is ranked equal to or above the 75th percentile.

For these purposes it is intended that the comparator group shall include Supporta PLC, Careforce Group plc, Claimar Care Group plc, Premier Research Group PLC, Healthcare Locums PLC, Oasis Healthcare PLC, Patientline PLC and Public Recruitment Group PLC.

If events occur which cause the remuneration committee reasonably to consider that a different or amended target would be a fairer measure of performance, the remuneration committee may recommend that the Trustee waives or amends the original performance target provided that any

such amended target is not more difficult to achieve than the original performance target. The remuneration committee shall, as part of such discretion to amend the performance target, have the ability to amend the composition of the comparator group.

4.1.6 Exercise of awards

Normally an award may only be exercised following the end of the Performance Period to the extent that the performance target has been satisfied and the participant is still an employee of the Pinnacle Group.

No award is capable of exercise more than ten years after its date of grant and will lapse on the tenth anniversary of its date of grant.

Awards may not be exercised during any prohibited period specified by the AIM Rules.

If prior to the end of the Performance Period a participant ceases to be employed within the Pinnacle Group by reason of:

- death;
- injury, illness or disability;
- redundancy;
- retirement;
- the business or subsidiary in which the participant is employed being sold out of the Pinnacle Group; or
- any other circumstances as determined by the remuneration committee in its absolute discretion,

then the participant shall be entitled to exercise any awards held as at the date of cessation of employment within the six month period immediately following the cessation of employment (or, in exceptional circumstances and at the discretion of the Committee, within 12 months following the cessation of employment).

If a participant ceases to be employed for any reason other than those set out above, any awards held at that time shall lapse.

Awards in relation to which the Performance Period has elapsed at the time of a cessation of employment shall be capable of exercise over the number of shares that have vested in accordance with the applicable performance target.

In relation to any awards in respect of which the Performance Period has not expired at the time of the cessation of employment:

- the award may only be exercised to the extent that the applicable performance targets are satisfied (after adjustment to take into account the reduced Performance Period); and
- the number of shares subject to the award shall be reduced pro rata to the proportion of the Performance Period which has elapsed as at the date of the cessation of employment.

In the event that a takeover of the Company occurs (and at the discretion of the remuneration committee), each participant will, subject to being notified by the remuneration committee of such impending takeover, have the ability to exercise any awards (subject to the satisfaction of the relevant performance target) until control of the Company passes or, if the takeover is subject to conditions, until such conditions are satisfied (the "Take-over Date"). The ability to exercise an award in these circumstances shall occur notwithstanding that the Performance Period has not elapsed at the time when the exercise of the award occurs. Where participants have been notified of the proposed takeover, the exercise of any awards prior to the Take-over Date shall be conditional upon and take effect immediately prior to the change of control occurring and awards that are not exercised prior to the Take-over Date will lapse on the Take-over Date.

In circumstances where the remuneration committee has not notified participants of an impending takeover of the Company and a change of control of the Company occurs, awards may, subject to the satisfaction of the applicable performance target also be exercised notwithstanding that the Performance Period has not elapsed, within six months of the change of

control occurring or where the offeror becomes bound or entitled to acquire the shares in the capital of the Company under the compulsory acquisition procedure, during the period ending on the seventh day before the last day on which the offeror remains entitled to serve a compulsory acquisition notice.

The awards shall also be capable of exercise, subject to the satisfaction of the relevant performance target but notwithstanding that the Performance Period has not elapsed, within a limited time on the occurrence of other corporate events including an amalgamation or reconstruction of the Company sanctioned by the court or the voluntary winding up of the Company.

In relation to any awards in respect of which the Performance Period has not expired at the time of the change of control of the Company or other corporate event mentioned above:

- the award may only be exercised to the extent that the applicable performance target is satisfied (after adjustment to take into account the reduced Performance Period); and
- the number of shares subject to the award shall be reduced pro rata to the proportion of the Performance Period which has elapsed as at the date of the occurrence of the change of control or other relevant corporate event.

4.1.7 Other award terms and issues of shares

Awards are not capable of transfer or assignment.

Until awards are exercised, participants have no voting, dividend or other rights in relation to the shares subject to those awards.

Shares transferred pursuant to the exercise of an award will rank *pari passu* in all respects with the shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such exercise.

Benefits obtained under the Performance Share Plan are not pensionable.

4.1.8 Adjustment of awards

In the event of any increase or variation in the share capital of the Company, the Trustee (after consultation with the remuneration committee) may make such adjustment as it considers fair and reasonable to the outstanding awards.

4.1.9 Amendments to the Performance Share Plan rules

The Board will have the power to amend the rules of the Performance Share Plan. The rules cannot, however, be altered to affect adversely any subsisting awards (other than a minor alteration to benefit the administration of the Performance Share Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or any member of the Pinnacle Group) without such consent of the participants as would be required under the provisions of the Articles if the awards constituted a single class of capital.

4.1.10 Termination

The Performance Share Plan may be terminated at any time by the Trustee on recommendation to do so by the remuneration committee and shall in any event terminate on the tenth anniversary of its adoption so that no further awards can be granted under the Performance Share Plan after such tenth anniversary. Termination shall not effect the outstanding rights of participants.

4.2 *The EBT*

The EBT will be constituted by a trust deed to be entered into between the Company and the Trustee. The Company will have the power to appoint and remove the Trustee. It is intended that the first Trustee will be a newly created subsidiary of the Company which is to be set up specifically for this purpose. The Company reserves the right, however, to appoint an off shore trustee as the first Trustee if this will provide the Company or the EBT with any fiscal advantages.

The EBT will be a discretionary settlement set up for the benefit of employees and former employees (and their immediate dependants) of the Pinnacle Group. The settlement is created by the vesting of trust property in the Trustee.

The Trustee may either purchase existing shares in the Company in the market or subscribe for new shares in the Company. Whilst it is proposed that such shares will predominantly be used for the purposes of the Performance Share Plan, they may be used in conjunction with any other employees' share scheme established by the Company.

In accordance with the guidelines issued by the Association of British Insurers, the maximum number of shares in the Company which may be held by the Trustee at any time may not exceed 5 per cent. of the Company's issued ordinary share capital at that time.

5. Directors' and other interests

- 5.1 Immediately following Demerger, certain of the Directors and any Connected Person are expected to be interested in shares in the capital of the Company, all of which are beneficial, shown in the table below, based on their holdings of Nestor Shares, on 16 August 2006, being the latest practicable date before publication of this document. Such interests being those which: (i) have been or are required to be notified by each Director to the Company pursuant to section 324 or 328 of the Companies Act, or (ii) are required to be entered into the register of directors' interests maintained under section 325 of the Act, or (iii) which are interests of a Connected Person which would, if the Connected Person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known or could, with reasonable diligence, be ascertained by the Director are as follows:

	<u>Number of Pinnacle Shares</u>	<u>As a percentage of the share capital</u>
The Baroness Ford	–	–
Julie Greenwood	–	–
David Laing	–	–
Richard Aitken-Davies	–	–
Trevor Jones	–	–
Stephen Booty	73,680	0.08

- 5.2 No awards of Pinnacle Shares will be made pursuant to the Performance Share Plan prior to Admission.
- 5.3 Save as disclosed in paragraph 5.1 above, no Director nor any Connected Person has at the date of this document, or is expected to have upon Admission, any interest, whether beneficial or non-beneficial, in the share capital or loan capital of the Company.
- 5.4 In addition to their directorships of the Company, the Directors hold or have held the following directorships within the five years prior to the date of this document:

<u>Name</u>	<u>Current</u>	<u>During the past 5 years</u>
Baroness Margaret Ford	Scotland's Futures Forum Limited Serco Group plc	Eglington Management Centre Holdings Limited Good Practice Limited Mayfield Developments Limited Priority Sites Investments Limited Priority Sites Limited Thus Group plc
Julie Greenwood	–	–
David Laing	–	Lothian Shipping Services Limited Meridian Marine Management Limited
Richard Aitken-Davies	Aitken Davies Corporate Ltd Certified Nominees Ltd	Wimbledon Conservative Properties Limited

<u>Name</u>	<u>Current</u>	<u>During the past 5 years</u>
Trevor Jones	–	–
Stephen Booty	Abbey Homecare Limited Alpha Community Homecare Limited Brent Care At Home Limited British Nursing Association Healthcare Services Limited British Nursing Association Home Care Limited Care Initiative Limited Care Monitoring 2000 Limited Carewatch Care Services Limited Celtic Care (North Wales) Limited Chasley Limited Clanbrook Limited Cornelle UK Medical Services Limited Country Cousins (Horsham) Limited Crystal Nursing and Homecare Services Limited Domiciliary Care Limited ECQ Development Limited Emergency Doctors Limited Everycare (SE Anglia) Limited FMS Supplies Limited Forensic Medical Services Limited Goldsborough Homecare & Nursing Services Limited Grosvenor Nursing Agency Limited HCMS Limited Healthcall Limited Healthcall Group Limited Healthcall Lanarkshire Limited Healthcall (Manchester) Limited Healthcall Medical (Holdings) Limited Helenus Limited Helping Hands Care Limited Highfield Homecare Services Limited Holt Medical Recruitment Limited LPNS Limited Mayfair Specialist Nurses Limited Medic Brokers Limited Medic International Limited Medical Employment Direct Limited Medical Support Personnel Limited Medico Nursing and Homecare Limited Merchant House Care Services Limited Miller Care Services Limited Nene Valley Care Limited Nestor Disability Analysis Limited Nestor Equipment Leasing Limited Nestor Health At Work Limited Nestor Healthcare Group plc Nestor Healthcare Group Quest Trustees Limited	Direct Care Services (UK) Limited Disley Paper Company Limited F. H. Lee Ltd Healthcall Optical Services Limited Industrial Cleaning Papers Limited Kent Paper Products Limited Kruger Tissue Group (UK) Limited Kruger Tissue (Consumer) Limited Kruger Tissue (Industrial) Limited Kruger Tissue (Manufacturing) Limited Med Team Healthcare Limited Urban Pulp Mill Limited

<u>Name</u>	<u>Current</u>	<u>During the past 5 years</u>
	Nestor Healthcare Limited	
	Nestor Healthcare Personnel Services Limited	
	Nestor Healthcare Training Services Limited	
	Nestor Healthwatch Limited	
	Nestor Homecare Services Limited	
	Nestor Medical Duty Services Limited	
	Nestor Medical Personnel Limited	
	Nestor Primecare Limited	
	Nestor Primecare Services Limited	
	Nestor Social Care Limited	
	New Horizons Limited	
	Nightingales Professional Nursing and Homecare Limited	
	Nightwatch Telephone Services Limited	
	Notepike Limited	
	Nurse Brokers Limited	
	On-Call Limited	
	Patricia White's Personal Home Care Limited	
	Priam Limited	
	Prime Care Services Limited	
	Primrose Care Ltd	
	Regency Care (North West) Limited	
	Remedy Medical Limited	
	Sandbach Care Limited	
	The HCMS Employee ESOT Limited	
	Thistle Trained Nurses Limited	
	UK Underwriting Services Limited	
	Worldwide Healthcare Exchange Limited	

- 5.5 As at the date of this document, no Director:
- 5.5.1 has any convictions in relation to indictable offences; or
 - 5.5.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
 - 5.5.3 has been a director of any company which, while he/she was a director or within 12 months after he/she ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
 - 5.5.4 has been a partner of any partnership which, while he/she was a partner or within 12 months after he/she ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
 - 5.5.5 has had any public criticism or suffered any incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
 - 5.5.6 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; or
 - 5.5.7 has had any name other than those names listed in paragraph 12 of Part I.
- 5.6 So far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company and there are no arrangements the operation of which may at a later date result in a change of control of the Company.

- 5.7 Based on interests in shares in the capital of Nestor notified to Nestor in accordance with Part VI of the Act, as at 16 August 2006, being the latest practicable date prior to the publication of this document, and assuming the Demerger becomes effective, the following persons will have the following interests in three per cent. or more of the issued share capital of the Company immediately after Admission:

<u>Pinnacle Shareholder</u>	<u>Number of Pinnacle Shares</u>	<u>As a percentage of the issued share capital</u>
Schroder Investment Management Limited	21,302,474	24.31
Aberforth Partners LLP	12,100,538	13.81
SG Asset Management Limited	7,358,168	8.40
M & G Investment Management Limited	3,240,000	3.70
Legal & General Investment Management Limited	3,209,736	3.66

- 5.8 There are no loans made or guarantees granted or provided by any member of the Pinnacle Group to or for the benefit of any Director.
- 5.9 Save as disclosed in paragraph 7 below, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or material to the business of the Pinnacle Group and which was effected by the Company during the current or immediately preceding financial year or which was effected by the Company during any earlier financial year and remains in any respect outstanding or unperformed.
- 5.10 In respect of the Directors, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have.
- 5.11 The aggregate amount of remuneration (including any contingent or deferred compensation) payable and benefits in kind granted to Directors is estimated to be approximately £153,000 for the current financial period ending 31 December 2006 under the arrangements in force at the date of this document.
- 5.12 No Director nor any member of his immediate family nor any persons connected with such persons (within the meaning of section 346 of the Act) has any financial product whose value is determined directly or indirectly by reference to the price of the Pinnacle Shares, including a fixed odds bet.

6. Directors' service agreements and letters of appointment

- 6.1 Julie Greenwood has entered into a service agreement with the Company prior to but conditional upon Admission, which is subject to termination upon 12 months' notice by the Company or six months' notice from Julie Greenwood at any time. The agreement provides for an annual salary of £125,000 and other benefits including a discretionary bonus, membership of a pension scheme, private medical insurance and a company car (or car allowance). In the event that the Company or Julie Greenwood serves notice as detailed above, the Company has the right to require Julie to leave her place of work and remain at home throughout the balance of the notice period without any rights to contact any clients, customers, suppliers or competitors.
- 6.2 David Laing has entered into a service agreement with the Company prior to but conditional upon Admission, which is subject to termination upon six months' notice by either party at any time. The agreement provides for an annual salary of £90,000 and other benefits including a discretionary bonus, membership of a pension scheme, private medical insurance and a company car (or car allowance). In the event that the Company or David Laing serves notice as described above, the Company has the right to require David to leave the place of work and remain at home throughout the balance of the notice period without any rights to contact any clients, customers, suppliers or competitors.
- 6.3 The Baroness Ford has entered into a letter of appointment with the Company prior to but conditional on Admission, which is subject to termination upon one month's notice by the Company and three months' notice by Baroness Ford. The letter of appointment relates to the provision of services by the Baroness Ford to the Company as Chairman and is for an initial period of three years. The letter of appointment provides for the Baroness Ford to receive £75,000 per annum for her role as Chairman of the Company.

- 6.4 Richard Aitken-Davies has entered into a letter of appointment with the Company prior to but conditional on Admission, which is subject to termination upon one month's notice by the Company and three months' notice by Richard Aitken-Davies. The letter of appointment relates to the provision of services by Richard Aitken-Davies to the Company as a Non-Executive Director of the Company and is for an initial period of three years. The letter of appointment provides for Richard Aitken-Davies to receive £30,000 per annum for his role as Non-Executive of the Company.
- 6.5 Trevor Jones has entered into a letter of appointment with the Company prior to but conditional on Admission, which is subject to termination upon one month's notice by the Company and three months' notice by Trevor Jones. The letter of appointment relates to the provision of services by Trevor Jones to the Company as a Non-Executive Director of the Company and is for an initial period of three years. The letter of appointment provides for Trevor Jones to receive £30,000 per annum for his role as Non-Executive of the Company.
- 6.6 Stephen Booty has entered into a letter of appointment with the Company prior to but conditional on Admission, which is subject to termination upon one month's notice by the Company and three months' notice by Stephen Booty. The letter of appointment relates to the provision of services by Stephen Booty to the Company as a Non-Executive Director of the Company and is for an initial period of six months. The letter of appointment provides that Stephen Booty will receive no fee in relation to this appointment while he remains an employee of Nestor but that he will receive £25,000 per annum for his role as Non-Executive of the Company if and when he ceases such employment.
- 6.7 Save as referred to in paragraphs 6.1 to 6.2 above, there are no service agreements, existing or proposed, between any of the Directors and the Company which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

7. **Material contracts**

The only contracts (other than contracts entered into in the ordinary course of business) which have been entered into by a member of the Pinnacle Group either within the two years immediately preceding the date of this document and which are, or may be, material or which contain provisions under which any member of the Pinnacle Group has an obligation or entitlement which is material to the Pinnacle Group as at the date of this document, or which are expected to be entered into in connection with the Demerger are the following contracts:

7.1 *Transfer Agreement*

Pursuant to the Transfer Agreement, NPSL will agree to sell and Pinnacle Health Care will agree to buy the Staffing Business as a going concern. As part of the purchase of the Staffing Business, Pinnacle Health Care will acquire, *inter alia*, all of the assets, intellectual property, computer systems, contracts, leases and the goodwill of the Staffing Business together with trade debtors in relation to the Staffing Business at completion of the transfer ("Completion"). Under the Transfer Agreement, NPSL will retain all trade creditors of the Staffing Business at Completion. In consideration for the transfer of assets Pinnacle Health Care will issue 20,900,000 ordinary shares of 10 pence each in the capital of Pinnacle Health Care (at a premium of 90 pence per share). Pinnacle Health Care will undertake to pay £5,000,000 to NPSL within five business days of Completion subject to and conditional upon receipt of such amount pursuant to the facilities expected to be entered into by the relevant members of the Pinnacle Group (conditional on Admission) as described in paragraph 7.8 of this Part V.

Under the Transfer Agreement, NPSL will procure that the minimum net tangible assets (excluding goodwill) of the Staffing Business will, on completion of the Demerger, be not less than £900,000.

Under the Transfer Agreement, NPSL will warrant that, *inter alia*, NPSL has authority to enter into the agreement, has good title to the assets which it transferred and is not party to any litigation in relation to the Staffing Business. NPSL's liability under such warranties shall be limited to £7.5 million.

Each party will enter into restrictive covenants, in each case lasting for a period of two years, under which they will agree not to entice away respective members of staff or be engaged, concerned or interested in the other's business. The liabilities of the Staffing Business will be apportioned between the parties as at the date of the Transfer Agreement.

Pursuant to the Transfer Agreement, certain trade marks are to be assigned to Pinnacle Health Care.

7.2 *Demerger Agreement*

Pursuant to the Demerger Agreement, the parties will agree that, subject to certain conditions having been satisfied (including that no rights to terminate the Nominated Adviser Agreement having been exercised and Admission having become effective by no later than 14 days after the passing of the Resolution), Nestor will transfer the whole of the then issued ordinary share capital of Pinnacle Health Care to Pinnacle. In consideration for the transfer, Pinnacle will allot and issue Pinnacle Shares to Qualifying Shareholders on the basis of one Pinnacle Share for one fully paid Nestor Share held by them at the Demerger Record Time.

Under the Demerger Agreement, Nestor will represent and warrant to Pinnacle that, as at the date of the Demerger Agreement, so far as Nestor is aware, no material defects in, no material encumbrances over and no material third party rights in respect of, any assets of Pinnacle Health Care and no material liabilities of Pinnacle Health Care, have either arisen or been created as a consequence of any action by any member of the Continuing Group which have not been disclosed to Pinnacle or any of the Directors, officers or employees, the existence of which makes any statement in this document untrue or misleading in any material respect or disclosure of which investors and their professional advisers would reasonably require and reasonably expect to find in this document. The warranty will be limited to relevant matters within the actual knowledge of Stephen Booty or Martyn Ellis or which would have become known by either Stephen Booty or Martyn Ellis if he had made due and careful enquiry into the subject matter of that representation and warranty.

Under the Demerger Agreement, Nestor will pay or procure that a member of the Continuing Group (as appropriate) pays the costs and expenses relating to the Demerger save for certain fees relating to the banking facilities to be entered into by Pinnacle as further described in paragraph 7.8 of this Part V.

Under the taxation schedule to the Demerger Agreement, each party will agree, *inter alia*, following Admission to indemnify and apportion liability to the other in relation to any acts or omissions committed by it which give rise to a chargeable payment for the purposes of section 214 of Income and Corporation Taxes Act 1988. Furthermore, both parties will agree to indemnify each other for any act or omission which will prevent the transfer of shares in Pinnacle Health Care to Pinnacle and the issue of Pinnacle Shares from being an exempt distribution for the purposes of section 213 of the Income and Corporation Taxes Act 1988 and for any secondary liability to taxation of either party and for any costs or expenses properly incurred for which the other is liable.

Nestor will also agree to indemnify Pinnacle for any liability to taxation of Pinnacle Health Care which arises as a result of the exercise of any share option or the vesting of any award held by an employee of Pinnacle Health Care where such option or award was granted on or prior to the completion of the Demerger pursuant to the Nestor Share Option and Incentive Schemes.

Each party will be liable to the other under the taxation schedule for seven years following the completion of the Demerger.

7.3 *Transitional Services Agreement*

Pursuant to the Transitional Services Agreement, NPSL will provide, or procure the provision of, certain services to Pinnacle Health Care in accordance with the relevant service level for such services. Those services will include, *inter alia*, information technology services, such as technology operations, general operations and information technology infrastructure, dealing with hardware and basic software applications. NPSL will provide a service desk mechanism for requesting a change or reporting a fault.

Under the Transitional Services Agreement, Pinnacle Health Care will be provided with 'core' services which are key to the operation of Pinnacle Health Care's information technology. In addition to NPSL rectifying faults which may arise, all necessary capacity planning, maintenance and other related activities are also included in the services which will be provided by NPSL. Such services will be provided by NPSL with reasonable skill and NPSL will use best endeavours to obtain and maintain all necessary consents and licences to enable NPSL to provide the services above.

In providing the information technology services, where any intellectual property rights are created from adaptations and modifications of Pinnacle Health Care's intellectual property rights, such rights shall remain with Pinnacle Health Care.

NPSL's aggregate liability under the Transitional Services Agreement will be limited to £300,000.

NPSL shall provide the services to Pinnacle Health Care 'at cost'. The principle of 'at cost' includes the fully loaded personnel costs of NPSL together with the operating costs of the Staffing Business (including, for example, office space), a pass through of third party costs and any other out of pocket expenses associated with the services. NPSL will invoice Pinnacle Health Care in respect of the provision of services. NPSL will have the right to suspend the provision of services if payment is not received from Pinnacle Health Care within 14 days.

The Transitional Services Agreement will continue for an initial period of 12 months and particular services will be terminable by either party on six months' notice. The Transitional Services Agreement will continue until all services have been terminated prior to which the parties will agree that within six months from entering into this agreement they will work together to agree a plan for the orderly transition of each particular service to a replacement service provider.

7.4 *Flotation Agreement*

Pursuant to the Flotation Agreement, the Directors and Pinnacle have given certain warranties to Hawkpoint, principally concerning the accuracy of the Admission Document, which are customary for an agreement of this nature.

Pinnacle has also given Hawkpoint an indemnity in connection with certain of its activities in connection with Admission.

7.5 *Nominated Adviser Agreement*

Pursuant to the Nominated Adviser Agreement, Pinnacle has appointed Hawkpoint as nominated adviser to Pinnacle in connection with, and conditional upon, Admission. The Nominated Adviser Agreement is for a minimum period of twelve months from Admission and continues thereafter until terminated by either Pinnacle or Hawkpoint giving not less than 90 days' notice. Pinnacle and the Directors have given an indemnity and Pinnacle has given certain warranties to Hawkpoint. Hawkpoint is also entitled to terminate the Nominated Adviser Agreement in certain other circumstances. Under the terms of the Nominated Adviser Agreement, Pinnacle has agreed to pay Hawkpoint a fee for its services.

7.6 *Broker Engagement Letter*

Pursuant to the Broker Engagement Letter, Pinnacle has appointed Brewin Dolphin to act as broker to Pinnacle for the purposes of the AIM Rules. Under the terms of the Broker Engagement Letter, Pinnacle has agreed to pay Brewin Dolphin a fee for its services. The agreement is terminable in certain specified circumstances.

7.7 *Lock-in Agreement*

Pursuant to the Lock-in Agreement, which is conditional on Admission, Stephen Booty has undertaken not to dispose of any of the Pinnacle Shares in which he will be interested on Admission, during the period of 12 months following Admission, save in certain limited circumstances including in the event of an intervening court order or a takeover offer for Pinnacle becoming or being declared unconditional.

7.8 *Pinnacle Facility Agreements*

Pursuant to the Receivables Facility Agreement, Pinnacle Health Care will, conditional upon completion of the arrangements contemplated by, *inter alia*, the Demerger Agreement, the Transfer Agreement and the PASA Novation, obtain financing of up to £7,000,000 from Barclays Bank PLC. Under this arrangement, Barclays Bank PLC will, conditional as aforementioned, advance funds to Pinnacle Health Care against invoices issued by Pinnacle Health Care, before payment of those invoices has been made by the relevant debtors. Barclays Bank PLC will receive a fee on advances made and all of the current and future debts of Pinnacle Health Care will be assigned to Barclays Bank PLC. The facilities under the Receivables Facility Agreement will be available for a minimum period of 36 months from the date of satisfaction of all conditions precedent.

Pursuant to the Liquidity Facility Agreement, Pinnacle Health Care will, conditional upon completion of the arrangements contemplated by, *inter alia*, the Demerger Agreement, the Transfer Agreement and the PASA Novation, obtain a revolving credit facility of up to £2,000,000, which can be drawn down in increments of £5,000. As long as there is no breach by Pinnacle Health Care under either of the Pinnacle Facility Agreements, this will be available to Pinnacle Health Care for a minimum of 366 days from the date of Admission.

7.9 *Pinnacle Security Agreements*

Amounts due under the Pinnacle Facility Agreements will be secured under the Pinnacle Security Agreements. As a condition precedent to any drawdown under the Pinnacle Facility Agreements, Pinnacle and Pinnacle Health Care will be required to enter into the Pinnacle Security Agreements.

7.10 *PASA Novation*

Pursuant to the PASA Novation, Pinnacle Health Care undertook to assume and perform, with effect from Admission, all of the liabilities and obligations of NPSL and Nestor Healthcare Limited under agreements entered into with PASA by such entities with effect from Admission. From Admission, Pinnacle Health Care will be a party to such agreements in place of NPSL and Nestor Healthcare Limited and Pinnacle Health Care and PASA will have the same rights and obligations amongst themselves in respect of such agreements as they would have had if Pinnacle Health Care had been an original party to them in place of NPSL or Nestor Healthcare Limited.

7.11 *Ancillary Deed*

Pursuant to the Ancillary Deed, NPSL, Nestor Healthcare Limited and each of the Pinnacle Health Care Subsidiaries have each given certain undertakings to Barclays Bank PLC and Pinnacle Health Care in relation to certain amounts owed to such entities, such undertakings being required by Barclays Bank PLC in connection with the Receivables Facility Agreement.

8. **Related party transactions**

The Company has not entered into any related party transactions which are material to the Company.

9. **Taxation**

The following statements are intended as a general guide only to the position under current UK taxation legislation and HM Revenue & Customs practice as at the date of this document. They are intended to apply only to Pinnacle Shareholders who are resident, or in the case of individuals, ordinarily resident for UK tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Pinnacle Shares as an investment and who are the absolute beneficial owners of them. They do not apply to certain types of shareholders, such as insurance companies, collective investment schemes, dealers in securities and shareholders who have (or are deemed to have) acquired their Pinnacle Shares by reason of or in connection with an office or employment.

Any person who is in any doubt about his/her own tax position, or who is resident in or subject to tax in a jurisdiction other than the UK, should consult an appropriate professional adviser immediately.

9.1 Dividends

The Company is not currently required to withhold at source any amount in respect of UK tax from any dividend paid by the Company.

An individual Shareholder who is resident in the UK for UK tax purposes will be entitled to a tax credit in respect of any dividend received from the Company and will be taxable on the aggregate of the dividend received and the tax credit (the “gross dividend”). The value of the tax credit is currently one ninth of the dividend received (or 10 per cent. of the gross dividend). The gross dividend is treated as the top slice of the individual’s income. The tax credit will, however, be treated as discharging the individual’s liability to income tax in respect of the gross dividend, unless and except to the extent that the gross dividend falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the gross dividend at the higher rate on dividends (currently 32.5 per cent.) less the related tax credit. So, for example, a dividend of £90 will carry a tax credit of £10 and the income tax payable on the dividend by an individual liable to income tax at the higher rate in respect of the whole amount of the dividend would be 32.5 per cent. of £90, namely £32.50, less the tax credit of £10, leaving a net tax charge of £22.50.

Subject to certain exceptions, a Pinnacle Shareholder which is a company resident for tax purposes in the UK is not taxable on a dividend paid by the Company and received by that Pinnacle Shareholder and is not generally able to claim payment of the tax credit attaching to the dividend.

There will be no repayment of the tax credit or any part of it to an individual whose liability to income tax on the gross dividend is less than the related tax credit.

Pinnacle Shareholders who are resident in the United Kingdom for tax purposes and who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim any payment of the tax credit in respect of dividends paid by the Company.

The right of a Pinnacle Shareholder who is not resident for tax purposes in the UK to a tax credit in respect of a dividend received from the Company and/or to claim payments of any part of that tax credit will depend upon the existence and terms of any double taxation convention between the UK and the jurisdiction in which the Pinnacle Shareholder is resident for tax purposes. However, where a non-UK resident Pinnacle Shareholder is entitled to claim payment of any part of a tax credit, the amount payable will generally be less than 1.0 per cent. of the dividend to which it relates.

A Pinnacle Shareholder who is not resident in the UK for tax purposes should consult his own tax adviser concerning his liabilities on dividends received, whether he is entitled to claim any part of the tax credit and, if he is so entitled, the procedure for doing so. A Pinnacle Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under the law of the relevant jurisdiction.

9.2 Chargeable gains

A disposal of Pinnacle Shares by a Pinnacle Shareholder may, depending on the Pinnacle Shareholder’s circumstances, and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. The chargeable gain will generally be equal to the difference between the net proceeds and any allowable costs and expenses including the original acquisition costs of the Pinnacle Shares.

Taper relief may be available to an individual Pinnacle Shareholder, which may operate to reduce the percentage of any gain which becomes chargeable on the disposal of Pinnacle Shares provided that such Shareholder has retained those Pinnacle Shares for the relevant period. Corporate shareholders may qualify for indexation allowance. Pinnacle Shareholders should consult their professional advisers with regard to the details of such reliefs.

A Pinnacle Shareholder who is neither resident nor, in the case of an individual, ordinarily resident in the UK will not be liable for UK tax on chargeable gains realised on the disposal of his/her Pinnacle Shares unless such Pinnacle Shareholder carries on:

- 9.2.1 (in the case of a non-corporate Pinnacle Shareholder), a trade, profession or vocation in the UK through a branch or agency and has used, held or acquired the Pinnacle Shares for the purposes of such trade, profession or vocation or such branch or agency; or
- 9.2.2 (in the case of a corporate Pinnacle Shareholder) a trade in the UK through a permanent establishment and has used, held or acquired the Pinnacle Shares for the purposes of the trade or has used, held or acquired the Pinnacle Shares for the purposes of such permanent establishment.

However, a Pinnacle Shareholder who is an individual and who is only temporarily resident outside the UK for UK tax purposes at the date of a disposal of Pinnacle Shares may be liable to UK tax on chargeable gains on becoming resident or ordinarily resident in the UK again, in respect of disposals made while he was temporarily resident outside the UK, subject to any available exemption or relief.

9.3 Stamp Duty and Stamp Duty Reserve Tax

Any dealings in Pinnacle Shares will normally be subject to stamp duty or SDRT. The transfer on sale of Pinnacle Shares will usually be liable to *ad valorem* stamp duty, at the rate of 0.5 per cent., (rounded up, if necessary to the next multiple of £5) of the amount or value of the consideration paid. Stamp duty will normally be paid by the purchaser or transferee of the Pinnacle Shares. An unconditional agreement to transfer Pinnacle Shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duty stamped instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. SDRT will normally be the liability of the purchaser or transferee of the Pinnacle Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to H.M. Revenue & Customs by CRESTCo.

Where Pinnacle Shares are issued or transferred to issuers of depositary receipts or providers of clearance services (or their nominees or agents), stamp duty or SDRT (as appropriate) may be payable (in the case of stamp duty) at the rate of 1.5 per cent. (rounded up, if necessary, to the next multiple of £5) of the amount or value of the consideration provided or (in the case of SDRT) at the rate of 1.5 per cent. of the amount or value of the consideration payable (if in money or money's worth) or the value of the Pinnacle Shares. Where such stamp duty or SDRT (as appropriate) is payable, such amounts may be charged by the depositary or clearance service to the Shareholder to whom the Pinnacle Shares would otherwise have been issued or to whom the Pinnacle Shares are being transferred. Clearance services may opt, under certain conditions, for the normal rates of stamp duty and SDRT to apply to a transfer of shares into, and to transactions within, the service. Where this is the case, the above charge at the higher rate of 1.5 per cent., will not apply to an issue or transfer of shares into that clearance service.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate as mentioned above or may, although not primarily liable for the tax, be required to notify and account for it.

Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities will not give rise to stamp duty or SDRT.

10. Investments

There are no investments to be made by the Company in the future in respect of which firm commitments have been made. The Company has made no investments since the date of its incorporation.

11. Property and environmental issues

The Pinnacle Group's principal establishment is at its head office premises at 6 Heddon Street, London W1C 4BT.

The Company is not aware of any environmental issues affecting its use of its principal establishment.

12. Dependence on patents and licences

The Directors believe that the Company has no material dependence on any patent (including by way of licence) for the generation of future revenues. There are no patents or other intellectual property rights, licences or particular contracts (other than in relation to information technology support services) which are of fundamental importance to the Pinnacle Group's business.

13. Working capital

The Directors are of the opinion that, having made due and careful enquiry and taking into account available bank facilities, the Pinnacle Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of Admission.

14. Litigation

No member of the Pinnacle Group is or has been involved in any governmental, legal or arbitration proceedings and the Company is not aware of any such proceedings pending or threatened by or against the Pinnacle Group during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Pinnacle Group.

15. General

- 15.1 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 30 June 2006, the date to which the Accountants' Report on the Company has been drawn up.
- 15.2 In relation to the Staffing Business, it is highlighted in paragraph 9 of Part I of this document that volumes and margins for the nursing and medical services locum brands remained flat during the first quarter of 2006. Further, second quarter volumes were negatively impacted by the Easter and May bank holidays. Initial trading in the third quarter has been below management's expectations (partly due to the distraction of senior management resulting from the demerger process and the master vendor contract with the North Central London Strategic Health Authority starting approximately two months later than anticipated). However, the costs of the business are also running below management's expectations due to active management of the cost base. Consequently, it is expected that the operating result for the remainder of the year will be moderately below management's expectations. With this exception, there has been no significant change in the financial or trading position of the Staffing Business since 31 December 2005, being the date to which the financial information set out in Part IV was prepared.
- 15.3 Hawkpoint, which is authorised and regulated by the FSA, has given and has not withdrawn its written consent to the inclusion in this document of its name and references to it in the forms and contexts in which they appear in this document.
- 15.4 PricewaterhouseCoopers has given and has not withdrawn its written consent to the inclusion of its name and reports, in the forms and contexts in which they appear in this document.
- 15.5 Brewin Dolphin, which is regulated by the FSA, has given and has not withdrawn its written consent to the inclusion in this document of its name and references to it in the forms and contexts in which they appear in this document.

- 15.6 The total costs and expenses of and incidental to the Demerger which are payable by the Pinnacle Group, are estimated to amount to approximately £120,000 (excluding VAT), which includes approximately £100,000 payable to financial intermediaries. All other costs and expenses relating to the Demerger will be payable by Nestor.
- 15.7 There are no arrangements under which future dividends are waived or agreed to be waived.
- 15.8 The financial information set out in this document relating to the Pinnacle Group does not constitute statutory accounts within the meaning of section 240 of the Act. The auditors of Nestor have made a report under section 235 of the Act on the statutory accounts of the Nestor Group for each of the three years ended 31 December 2005.
- Each such report was unqualified and did not contain a statement under sections 237(2) or (3) of the Companies Act. Statutory accounts of the Nestor Group for each such financial period have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act. The financial information relating to the Pinnacle Group is derived from the statutory accounts of the Nestor Group since the Pinnacle Group will not come into existence until the Demerger.
- 15.9 The Pinnacle Shares will only be traded on AIM.
- 15.10 No Pinnacle Shares will be available to the public other than through the Demerger.
- 15.11 Except for fees payable to the professional advisers whose names are set out in this document and payments to trade suppliers, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 15.12 Where information in this document has been sourced from a third party, such information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16. Availability of documents

Copies of this document will be available free of charge at the offices of Eversheds LLP, Senator House, 85 Queen Victoria Street, London EC4V 4JL during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until close of business on the date falling one month from the date of Admission.

Dated: 17 August 2006

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Pinnacle Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“Admission Document”	this document
“AGM”	the annual general meeting of Nestor, which took place on 27 April 2006
“AHP”	an “Allied Healthcare Professional”, being a person other than a doctor or nurse with a medical qualification
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules for companies quoted on AIM published by the London Stock Exchange from time to time
“Ancillary Deed”	the agreement to be entered into prior to the Demerger by NPSL, Nestor Healthcare Limited, the Pinnacle Health Care Subsidiaries, Barclays Bank PLC and Pinnacle Health Care, pursuant to which contain undertakings were given to Barclays Bank PLC and Pinnacle Health Care, as described in paragraph 7 of Part V of this document
“Articles” or “Articles of Association”	the new articles of association of the Company to be adopted conditional on Admission
“BNA”	the British Nursing Association
“Board” or “Directors”	the persons listed on page 4, being those persons who are directors of the Company as at the date of this document, and “Director” shall mean any one of them
“Brewin Dolphin”	Brewin Dolphin Securities Ltd
“Broker Engagement Letter”	the engagement letter dated 30 June 2006 between Pinnacle and Brewin Dolphin pursuant to which Brewin Dolphin agreed to provide services as broker to Pinnacle, as described in paragraph 7 of Part V of this document
“CCS”	Cross Country Staffing
“Combined Code”	the Principles of Good Governance and Code of Best Practice published by the Financial Reporting Council
“Company” or “Pinnacle”	Pinnacle Staffing Group plc, a company incorporated in England and Wales with registered number 05855668
“Connected Person”	any person connected to the Directors within the meaning of section 346 of the Act
“Continuing Group”	Nestor and its subsidiary companies following completion of the Demerger, which, for the avoidance of doubt, will exclude Pinnacle Health Care
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the Uncertificated Securities Regulations 2001
“CRESTCo”	CRESTCo Limited, the operator of CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“CSCI”	Commission for Social Care Inspection
“Demerger”	the demerger of Pinnacle Health Care from the Nestor Group on the terms of the Demerger Agreement, as described in this document

“Demerger Agreement”	the conditional agreement to be entered into by Nestor and Pinnacle, relating to the Demerger, as described in paragraph 7 of Part V of this document
“Demerger Date”	the date upon which the Demerger Agreement becomes wholly unconditional, currently expected to be 5 September 2006
“Demerger Record Time”	6.00 p.m. on 4 September 2006, being the time by reference to which holders of Nestor Shares whose names are on the register of members of Nestor at such time will qualify (subject to the Demerger Agreement becoming unconditional) for Pinnacle Shares
“EBT”	the Pinnacle Staffing Group plc Employee Benefit Trust to be adopted by Pinnacle, further details of which are set out in paragraph 4 of Part V of this document
“EGM”	the extraordinary general meeting of Nestor convened for 11.00 a.m. on 4 September 2006, or any adjournment thereof
“Flotation Agreement”	the agreement dated 17 August 2006 between Pinnacle, the Directors and Hawkpoint, as described in paragraph 7 of Part V of this document
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Grosvenor”	Grosvenor Nursing Agency Limited
“Hawkpoint”	Hawkpoint Partners Limited
“Holt”	Holt Medical Recruitment Limited
“ISTC”	independent sector treatment centre
“Liquidity Facility Agreement”	the £2,000,000 liquidity facility agreement dated 17 August 2006 entered into between Pinnacle Health Care and Barclays Bank PLC
“Lock-in Agreement”	the agreement dated 17 August 2006 between Pinnacle, Brewin Dolphin, Hawkpoint and Stephen Booty pursuant to which Stephen Booty agreed not to dispose of his Pinnacle Shares for a period of time following Admission, as described in paragraph 7 of Part V of this document
“London Stock Exchange”	the London Stock Exchange plc
“Memorandum of Association”	the memorandum of association of the Company
“Model Code”	the model code on dealing in AIM securities as defined in the AIM Rules
“Nestor”	Nestor Healthcare Group plc, a company incorporated in England and Wales with registered number 01992981
“Nestor Share Option and Incentive Schemes”	the Nestor Share Option Plan 2002 (Enhanced Performance Condition), the Nestor Share Option Plan 2002 (Part 1 Approved, Part 2 Unapproved), the Nestor Savings Related Share Option Scheme, the Nestor Employee Share Option Scheme 1996, the Nestor Company Share Option Scheme 1996 and the Nestor Performance Share Plan 2006
“Nestor Group”	Nestor and its subsidiary companies, prior to the Demerger
“Nestor Shareholders”	holders of Nestor Shares
“Nestor Shares”	ordinary shares of 10 pence each in the capital of Nestor
“NFAs”	national framework agreements
“NHS”	the National Health Service

“NHS Hospital Trusts”	self governing hospitals within the NHS
“NHSP”	NHS Professionals
“NHS Trusts”	self governing service organisations within the NHS
“Nominated Adviser Agreement”	the agreement dated 17 August 2006 between Hawkpoint, Pinnacle and the Directors pursuant to which Hawkpoint agreed to provide services as nominated adviser to Pinnacle by Hawkpoint, as described in paragraph 7 of Part V of this document
“NPSL”	Nestor Primecare Services Limited, a company incorporated in England and Wales with registered number 01963820
“NSCL”	Nestor Social Care Limited, a company incorporated in England and Wales with registered number 03120093, previously incorporated as Pinnacle Health Care Limited
“NVQ”	National Vocational Qualification
“Official List”	the official list of the UK Listing Authority
“PASA”	the NHS Purchasing and Supply Agency
“PASA Novation”	the agreement dated 17 August 2006 between PASA, Pinnacle Health Care, NPSL and Nestor Healthcare Limited, as described in paragraph 7 of Part V of this document
“PCTs”	Primary Care Trusts running primary and community services and commissioning secondary care for NHS patients
“Performance Share Plan”	the Pinnacle Staffing Group plc Performance Share Plan to be adopted by Pinnacle, further details of which are set out in paragraph 4 of Part V of this document
“Pinnacle Facility Agreements”	the Receivables Facility Agreement and the Liquidity Facility Agreement
“Pinnacle Group”	Pinnacle and Pinnacle Health Care, the latter of which will become the subsidiary undertaking of Pinnacle on completion of the Demerger
“Pinnacle Health Care”	Pinnacle Health Care Limited, a subsidiary of Nestor which, on completion of the Demerger, will be a subsidiary of the Company and a member of the Pinnacle Group, incorporated in England and Wales with registered number 05854907
“Pinnacle Health Care Subsidiaries”	together, Mayfair Specialist Nurses Limited, Grosvenor Nursing Agency Limited, Medic International Limited, Holt Medical Recruitment Limited and Nestor Social Care Limited (to be renamed prior to, or shortly following, the Demerger)
“Pinnacle Security Agreements”	(i) the guarantee to be entered into between Pinnacle and Barclays Bank PLC; (ii) the debenture to be entered into between Pinnacle and Barclays Bank PLC; (iii) the guarantee to be entered into between Pinnacle Health Care and Barclays Bank PLC; and (iv) the debenture to be entered into between Pinnacle Health Care and Barclays Bank PLC
“Pinnacle Shareholders”	holders of Pinnacle Shares
“Pinnacle Shares”	ordinary shares of 10 pence each in the share capital of the Company
“PricewaterhouseCoopers”	PricewaterhouseCoopers LLP
“Primary Care Business”	the provision of general practitioners and other out-of-hours services to the NHS and the provision of healthcare and related services to police authorities and secure institutions, as carried out by Nestor

“Prospectus Rules”	the prospectus rules issued by the FSA
“Qualifying Shareholders”	Nestor Shareholders on the register of members of Nestor at the Demerger Record Time
“Receivables Facility Agreement”	the £7,000,000 receivables facility agreement dated 17 August 2006 between Pinnacle Health Care and Barclays Bank PLC
“Reporting Accountants”	PricewaterhouseCoopers
“Resolution”	the ordinary resolution to approve the Demerger and to be proposed at the EGM, as set out in the circular enclosed with this document
“RMO”	responsible medical officer
“SDRT”	Stamp Duty Reserve Tax
“Share Incentive Schemes”	the Performance Share Plan and the EBT, further details of which are set out in paragraph 4 of Part V of this document
“Social Care Business”	the provision of home and social care personnel and services through a network of company-owned and franchise branches across the UK, as carried out by Nestor
“Staffing Business”	the business of providing nurses and carers, locum doctors and other medical personnel which, upon completion of the Demerger, will be carried on by the Pinnacle Group and which has previously been part of the Nestor Group
“Transfer Agreement”	the agreement to be entered into by NPSL and Pinnacle Health Care pursuant to which NPSL will agree to transfer the assets and liabilities of the Staffing Business to Pinnacle Health Care, as described in paragraph 7 of Part V of this document
“Transitional Services Agreement”	the agreement to be entered into by NPSL and Pinnacle Health Care, pursuant to which NPSL will agree to provide certain services to Pinnacle Health Care, as described in paragraph 7 of Part V of this document
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK GAAP”	UK generally accepted accounting principles
“uncertificated” or “in uncertificated form”	recorded on the register of Pinnacle Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US” or “United States”	the United States of America, including the states of the United States and the District of Columbia, its territories and possessions and all areas subject to its jurisdiction

