

EXCELLCARE MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Registered Number: 4727097



DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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DIRECTORS AND ADVISORS

Directors

I B Balfour	
J Cassidy	(appointed 29 November 2006)
G D Cohen	(appointed 11 January 2006)
M Findlay	(appointed 1 February 2006)
A E Friend	(resigned 1 August 2006)
D Hardy	(appointed 29 November 2006)
S Latus	(appointed 29 November 2005)
M Smith	(resigned 1 February 2006)
M W Smith	(resigned 11 January 2006)
I J Wells	(resigned 13 January 2006)
R Weston	

Company secretary and registered office

P G Shell
Allington House
150 Victoria Street
London SW1E 5LB

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Solicitors

Denton Wilde Sapte
One Fleet Place
London EC4M 7WS

Principal bankers

Bank of Scotland Corporate
New Uberior House
11 Earl Grey Street
Edinburgh EH3 9BN

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide management services to the ExcellCare Limited Group, including conducting the Group's bidding activity.

REVIEW OF THE YEAR

The Company has successfully completed negotiations on one Local Improvement Finance Trust during the year on behalf of ExcellCare Limited Group. Additional schemes have also been completed on all five of ExcellCare's other Local Improvement Finance Trusts during 2005.

RESULTS AND DIVIDENDS

The loss for the year before taxation amounted to £991,943 (2004 - profit £1,005,265). After taxation credit of £269,147 (2004 - taxation credit £641,069), the loss for the year was £722,796 (2004 - profit £1,646,334).

The Directors do not recommend the payment of a dividend (2004 - £nil).

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in interest exchange rates. The company does not hedge any interest exposure as the amounts involved are immaterial.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables and investments.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses funding from its holding company, ExcellCare Limited.

DIRECTORS

The Directors who served throughout the period, except as noted, are shown on page 1.

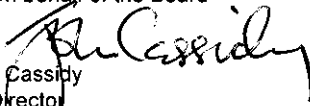
DIRECTORS' INTERESTS

No Director held any interests in the shares of the Company, or had any personal interest in any significant or material contract with the Company, during the year ended 31 December 2005.

APPOINTMENT OF AUDITORS, ACCOUNTS & AGM

On 25 September 2006, the shareholders passed elective resolutions under S379A of the Companies Act 1985 to dispense with the laying of accounts and reports before the Company in general meeting (S252), to dispense with the holding of an Annual General Meeting (S366A) and to dispense with the obligation to appoint auditors annually (S386). Accordingly, there will be no Annual General Meeting to consider the accounts and reports or to re-appoint Deloitte & Touche LLP as auditors.

On behalf of the Board


J Cassidy
Director
Date 17 November 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements. The Directors have chosen to prepare the accounts for the Company in accordance with the United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the Directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period and comply with UK GAAP and the Companies Act 1985.

In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding assets, for taking reasonable steps for prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which comply with the requirements of the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EXCELLCARE MANAGEMENT SERVICES LIMITED

We have audited the financial statements of ExcellCare Management Services Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, UK

Date 17 November 2006

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	As restated 2004 £
Turnover	1, 2	3,841,128	8,978,956
Cost of sales	2	(4,174,064)	(6,806,468)
Gross (loss) / profit		(332,936)	2,172,488
Administrative expenses		(676,587)	(1,189,882)
(Loss) / profit on ordinary activities before interest	3	(1,009,523)	982,606
Net interest receivable	6	17,580	22,659
(Loss) / profit on ordinary activities before taxation		(991,943)	1,005,265
Tax on (loss) / profit on ordinary activities	7	269,147	641,069
(Loss) / profit for the financial year	11	(722,796)	1,646,334

A reconciliation of movement in equity shareholders' deficit is given in note 12.

All items in the profit and loss account relate to continuing operations.


There is no material difference between the results stated in the profit and loss account and their historical cost equivalents.

All gains and losses are recognised in the profit and loss account in the current and prior periods, and therefore no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	2004 £
Current assets			
Debtors - due within one year	8	397,401	7,128,993
Cash at bank and in hand		<u>2,677,493</u>	<u>-</u>
		3,074,894	7,128,993
Creditors: amounts falling due within one year	9	(5,186,010)	(8,517,313)
Net current liabilities		(2,111,116)	(1,388,320)
Net liabilities		(2,111,116)	(1,388,320)
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	(2,111,117)	(1,388,321)
Equity shareholders' deficit	12	(2,111,116)	(1,388,320)

The financial statements were approved by the Board of Directors on *17 November* 2006 and were signed on its behalf by:


J Cassidy
Director

Notes to the financial statements for the year ended 31 December 2005

1 ACCOUNTING POLICIES**a) Basis of preparation of accounts**

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

The Company is exempt under FRS 1 from preparing a cash flow statement on the basis that it qualifies as a small company.

b) Turnover

Turnover represents amounts receivable from the provision of management services together with amounts receivable on financial closure of LIFT schemes net of VAT.

c) Taxation

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

In accordance with FRS 19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

d) PFI Bid Costs

PFI bid costs are charged to the profit and loss account until such time as the Company is virtually certain that it will enter into contracts for the relevant PFI project. Virtual certainty is generally achieved at the time the Company is selected as preferred bidder. From the point of virtual certainty, bid costs are capitalised and held in the Company balance sheet as a debtor prior to achieving financial close. On financial close of PFI project and financing agreements, the Company recovers capitalised bid costs from the relevant project company. If the recovery of bid costs exceeds the amount capitalised by the Company to financial close, the over-recovery is credited to the profit and loss account.

2 RESTATEMENT OF PRIOR YEAR COMPARATIVES

The Directors have restated the prior year comparatives for turnover, cost of sales and other operating income as they consider that this presentation better represents the company's activities. As stated in the Directors report, the companies primary activities are managing the ExcellCare group's bidding activity and providing management services to the ExcellCare group. The previous presentation showed the recovery of bid costs net of bid costs incurred in turnover and income from management services in other operating income. Turnover is now the gross recovery of bid costs and income from management services and cost of sales is now bid costs incurred.

	Restated 2004	2004
	£	£
Turnover	8,978,956	1,920,219
Cost of sales	(6,806,468)	-
Gross (loss) / profit	2,172,488	1,920,219
Administrative expenses	(1,189,882)	(1,189,882)
Other operating income	-	252,269
(Loss) / profit on ordinary activities before interest	982,606	982,606

The amounts for 2005 are stated on the same basis as the restated amounts for 2004.

3 (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST

	2005	2004
	£	£
(Loss)/ profit on ordinary activities before interest and taxation is stated after charging:		
Auditors' remuneration		
- audit services : company	10,000	8,349
- audit services : fellow subsidiary undertakings	56,662	-

The company's auditors received £nil during the year (2004 - £nil) for the provision of non-audit services.

Notes to the financial statements for the year ended 31 December 2005 (continued)

4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed by secondees from the shareholders under a management services contract.

5 STAFF NUMBERS

In both the current and prior year the directors were the only employees of the company.

6 NET INTEREST RECEIVABLE

	2005 £	2004 £
Interest receivable and similar income		
Interest receivable on bank deposits	18,917	22,659
Interest payable and similar charges		
Interest payable to group undertakings	(1,337)	-
Net interest receivable	17,580	22,659

7 TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
<u>Analysis of credit for the period</u>		
Current tax		
UK corporation tax	-	269,147
Current year loss offset against prior year corporation tax charge	(269,147)	-
Prior year adjustment - payment due for consortium relieved losses	-	(910,216)
Total tax on (loss) / profit on ordinary activities	(269,147)	(641,069)

Factors affecting the tax charge for the current period

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

	2005 £	2004 £
(Loss) / profit on ordinary activities before tax	(991,943)	1,005,265
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	(297,583)	301,580
Effects of:		
Unrecognised deferred tax asset on losses in period	28,436	-
Prior year adjustment - consortium relieved losses	-	(910,216)
Group relief	-	(32,432)
Total current tax credit for the period	(269,147)	(641,069)

8 DEBTORS: DUE WITHIN ONE YEAR

	2005 £	2004 £
Amounts owed by group undertakings	95,110	4,337,585
Other debtors	13,115	1,273,904
Preferred bidder asset capitalised	289,176	1,517,504
	397,401	7,128,993

9 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans and overdrafts	-	609,084
Trade creditors	1,529,214	2,478,894
Amounts owed to group undertakings	2,998,615	4,738,662
UK corporation tax	-	269,147
Other taxation and social security	203,240	122,340
Other creditors	-	103,199
Accruals and deferred income	454,941	195,987
	5,186,010	8,517,313

Notes to the financial statements for the year ended 31 December 2005 (continued)

10 CALLED UP SHARE CAPITAL

	2005 No.	2004 No.
Authorised:		
100 Ordinary Shares at £1 each	<u>100</u>	<u>100</u>
	£	£
Allotted, called up and fully paid:		
1 Ordinary Share at £1	<u>1</u>	<u>1</u>

11 MOVEMENT IN RESERVES

	Profit and loss account £
At 1 January 2005	(1,388,321)
Loss for the financial year	(722,796)
At 31 December 2005	<u>(2,111,117)</u>

12 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT

	2005 £	2004 £
Opening equity shareholders' deficit	(1,388,320)	(3,034,654)
(Loss) / profit for the financial year	(722,796)	1,646,334
Closing equity shareholders' deficit	<u>(2,111,116)</u>	<u>(1,388,320)</u>

13 TRANSACTIONS WITH RELATED PARTIES

The following party is a related party as it is the shareholder of ExcellCare Management Services Limited: ExcellCare Limited.

The following are related parties as they are indirect shareholders or fellow subsidiary undertakings: The Governor and Company of the Bank of Scotland, John Laing plc, Laing Investments Management Services Limited, John Laing Social Infrastructure Limited, Equion Facilities Management Limited, Sandwell LIFT Company Limited, Grt Nottingham LIFT Company Limited, MaST LIFT Company Limited, Leicester LIFT Company Limited, Southern Derbyshire LIFT Company Limited and North Nottinghamshire LIFT Company Limited.

There were related party transactions with the following parties.

Loans to /(from) related parties at 31 December 2005

	2005 £	2004 £
Loans		
ExcellCare Limited	(2,781,529)	(1,375,954)
Other trading balances		
Sandwell LIFT Company Limited	(20,209)	14,982
Grt Nottingham LIFT Company Limited	11,864	211,674
MaST LIFT Company Limited	(7,682)	19,957
Leicester LIFT Company Limited	21,121	227,876
Southern Derbyshire LIFT Company Limited	38,453	376,073
North Nottinghamshire LIFT Company Limited	19,671	-
The Governor and Company of the Bank of Scotland	(5,421)	-
John Laing Social Infrastructure Limited	(5,421)	-
Laing Investments Management Services Limited	(174,353)	124,315
	<u>(2,903,505)</u>	<u>(401,077)</u>

As a greater than 90% subsidiary of ExcellCare Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the ExcellCare Limited group. Note 14 gives details of how to obtain a copy of the published financial statements of ExcellCare Limited.

14 ULTIMATE PARENT UNDERTAKING

The Company's immediate and ultimate parent and controlling party, and the largest and smallest group in which its results are consolidated, is ExcellCare Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated accounts of ExcellCare Limited are available from its registered offices at Allington House, 150 Victoria Street, London, SW1E 5LB.