

G

155(6)a

Pursuant to section 155(6) of the Companies Act 1985

Company number

Name of company

* SPRINGS COMMUNITY LIMITED (the "Company")

~~1/10/68~~ JOHN HUGHES of Bowden House, London Road, Harrow HA1 3JL

[the sole director] ~~XXXXXX~~† of the above company do solemnly and sincerely declare that:

The business of the company is:

[illegible]

(c) something other than the above §

The company is proposing to give financial assistance in connection with the acquisition of shares in the

[company] ~~XXXXXXXXXXXXXXXXXXXX~~

The assistance is for the purpose of ~~providing~~ [reducing or discharging a liability incurred for the purpose of that acquisition]. †

The number and class of the shares acquired or to be acquired is: 2 ordinary shares of £1 each

Post room



439
01/08/2006

The assistance is to be given to: (note 2) _____

NET HEALTH CARE LIMITED (registration number 2141256) ("Cygnnet") of Godden
Clinic, Sevenoaks, Kent TN15 0JR

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block
lettering

The assistance will take the form of:

As Annexure A

The person who [has acquired] ~~owns~~ † the shares is:

† delete as
appropriate

The principal terms on which the assistance will be given are:

As Annexure B

The amount of cash to be transferred to the person assisted is £ Nil

The value of any asset to be transferred to the person assisted is £ 7,749,996.10

The date on which the assistance is to be given is within 8 weeks of the date hereof

delete either (a) or
(b) as appropriate

(b) XXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXX (note 3)

Declared at

Declarants to sign below

Day Month Year

on 2 6 0 7 2 0 0 6.

before me Quinn - Ruth Muthoni

~~A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.~~

SHAH SOLICITORS
168 GREENFORD ROAD
SUBURBY HILL
HARROW HA1 3QZ.

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
37 Castle Terrace
Edinburgh
EH1 2EB

FORM 155(6)a
Springs Community Limited (the
"Company")



(Registration Number 2689545)

ANNEXURE A

Form of Financial Assistance

The Company agreeing to execute:

1. an asset hive-up agreement (the "**Asset Hive-Up Agreement**") to be entered into between Cygnet Health Care Limited ("**Cygnet**") and the Company under which the Company agrees to sell and Cygnet agrees to purchase the whole of the business and assets of the Company as a going concern.
2. an intra-group loan agreement (incorporating letter of support) (the "**Intra-Group Loan Agreement**") to be entered into between Cygnet and the Company whereby the Company agrees to provide loan facilities to Cygnet on and subject to the terms and conditions of the Intra-Group Loan Agreement.

 Ruth MUTHONI
SOLICITOR 

ANNEXURE B**Principal terms on which assistance will be given**

The principal terms on which assistance will be given are:

Asset Hive-Up Agreement

Under the terms of the Asset Hive-Up Agreement:

1. SALE OF BUSINESS AND ASSETS

Subject to the terms of the Asset Hive-Up Agreement and for the consideration appearing in it, the Company shall with full title guarantee, transfer to Cygnet all rights, title or interest the Company may have now or hereafter attaching thereto in the Business as a going concern with effect from the Completion Date together with the Assets, Contracts, Employees and Properties.

2. THE TRANSFER CONSIDERATION

2.1 The consideration for the transfer of the Business and the Assets will be £7,749,996.10 (the "Consideration").

2.2 The Consideration shall remain outstanding at Completion on an inter-company loan account and shall constitute an unsecured debt of Cygnet payable on the Company's written demand in accordance with the terms of the Loan Agreement.

3. COMPLETION

3.1 Completion of the transfer provided for in the Asset Hive-Up Agreement shall take place on the date of the Asset Hive-Up Agreement.

3.2 The Company shall cause to be delivered or made available to Cygnet such documents as are required by Cygnet to complete the transfer of the Assets and vest title to the Assets in them including any assignments thereof.

3.3 Cygnet shall cause to be delivered to the Company the duly executed Loan Agreement.


3.4 Upon Completion:

3.4.1 possession of the Assets shall, as far as practical, be given to Cygnet;

3.4.2 the Company shall procure that all other necessary parties (if any) execute and deliver to Cygnet all such assurances and things as may be necessary to vest in the Company good and marketable title to the Assets;

3.4.3 the Company shall provide to Cygnet duly executed transfers, assignments and other documents necessary to vest title in the Assets in Cygnet; and

3.4.4 Cygnet shall assume the Liabilities.

 Ruth MUTHONI
SOLICITOR.



4. EMPLOYEES

The Company and Cygnet acknowledge that the provisions of the Transfer of Undertakings (Protection of Employment) Regulations 1981 shall apply to the transfer of the Employees under the Asset Hive-Up Agreement and that on Completion the Employees will be transferred to the employment of Cygnet by operation of law and Cygnet shall indemnify the Company against all costs, claims, liabilities, penalties and expenses (including, without limitation, legal and other professional fees and expenses) in respect of the Employees.

5. CONTRACTS

- 5.1 With effect from Completion, Cygnet undertakes (subject to the consent of any third party, where necessary) to carry out the Contracts for its own benefit.
- 5.2 With effect from Completion, Cygnet agrees to fulfil, perform or discharge all future obligations and liabilities of the Company arising under or in respect of the Contracts.
- 5.3 With effect from Completion the Company and Cygnet shall use all reasonable endeavours to obtain the consent of any third party whose consent is required to an assignment or novation of any Contracts. Failing or pending any such consent the Company shall hold the benefit of each Contract on trust for Cygnet absolutely. Cygnet shall be entitled to retain for its own benefit all benefits accruing to or owed to the Company by any third party under or in respect of the Contracts. Any sums received by the Company pursuant to any Contract shall be paid to Cygnet forthwith.
- 5.4 Notwithstanding the foregoing provisions of this clause 5 (clause 6 of the Asset Hive-Up Agreement) Cygnet shall be entitled to seek the novation of any of the Contracts to Cygnet.

6. LIABILITIES

- 6.1 Cygnet undertakes that it shall assume, pay, discharge and fulfill the Liabilities, together with any actions, proceedings, costs, expenses, loss and damage whatsoever suffered or incurred by the Company as a result of or in connection with the failure of Cygnet to pay, discharge and fulfil the Liabilities in accordance with their terms.
- 6.2 Cygnet hereby agrees to indemnify the Company and/or the directors of the Company against: all claims by any third party in respect of the failure of the Company to discharge any of the Liabilities and/or any claims by any Liquidator appointed by the creditors of the Company should it go into insolvent liquidation that the transfer set out herein was at an undervalue or that the transfer constitutes a breach by the directors of the Company of their fiduciary duties in approving the transfer.

7. FURTHER ASSURANCES

- 7.1 The Company shall as soon as possible after Completion execute all assignments and do whatever else may be necessary to vest in Cygnet as from the date hereof those Assets which are not capable of passing by delivery and to give the full benefit of them to Cygnet and in the meantime the Company shall hold those Assets on trust for Cygnet absolutely.

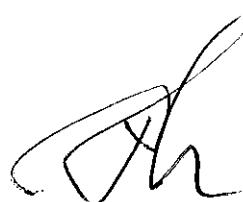
CHW
RUTH MUTHAMBI
SOLICITOR



- 7.2 The Company shall as soon as possible after Completion use all reasonable endeavours to obtain any licences, consents, permissions authorities or novations from third parties which are necessary to vest in Cygnet full right and title to and enjoyment of the Assets.
8. In the Asset Hive-Up Agreement the following terms have the following meanings:
- | | |
|-------------------|---|
| "Assets" | means the Properties and all other property, rights and assets used in connection with the running of the Business; |
| "Business" | means the business of running a residential care home specialising in the treatment of Asperger's Syndrome and Autism carried on by the Company as at Completion; |
| "Completion" | means completion of the transfer of the Assets and Business pursuant to clause 4 of the Asset Hive-Up Agreement; |
| "Completion Date" | 2006; |
| "Contracts" | means every contract or arrangement in relation to the running of the Business to which the Company is a party; |
| "Employees" | means all employees employed by the Company in connection with the running of the Business; |
| "Liabilities" | means all claims, liabilities, debts and obligations of the Company in connection with the Business incurred or arising prior to Completion; |
| "Loan Agreement" | means the agreement to be entered into at Completion evidencing Cygnet's indebtedness to the Company in respect of the consideration payable pursuant to clause 3 of the Asset Hive-Up Agreement; |
| "Properties" | means (i) Pirate Springs (otherwise known as The Springs), Coast Drive, St Mary's Bay, Romney Marsh, Kent TN29 0HN registered at the Land Registry under title number K152423; and (ii) land on East Side Coast Drive, St Mary's Bay, Romney Marsh, Kent TH29 0HN registered at the Land Registry under title number K525615. |

Intra-Group Loan Agreement

Under the terms of the Intra-Group Loan Agreement:



Ruth Muthow
SOLICITOR.

1. THE FACILITY

- 1.1 The Company agrees to lend to Cygnet upon the terms and conditions of the Intra-Group Loan Agreement such amounts as may be required by Cygnet from time to time in order to make payments due by Cygnet (in respect of principal, interest or otherwise) under the Credit Agreement and the Asset Hive-Up Agreement, up to a maximum amount of £7,749,996.10.
- 1.2 Failure of the Company to perform its obligations under the Intra-Group Loan Agreement shall not relieve Cygnet from any of its obligations under the Intra-Group Loan Agreement.

2. PURPOSES AND APPLICATION OF UTILISATIONS

The proceeds of each Advance shall be used solely to enable Cygnet:

- 2.1 to pay any amounts due to the Bank pursuant to the Credit Agreement; or
- 2.2 to pay any amounts due under the Asset Hive-Up Agreement (subject to the provisions of the Finance Documents); or
- 2.3 *in respect of a particular Advance such other purposes (other than for any purpose that would be unlawful under section 151 of the Companies Act 1985) as the Company may agree in writing.*

3. AVAILABILITY OF ADVANCES

- 3.1 Cygnet may, subject to clause 2, on any Business Day during the Availability Period request the Company to make an Advance, such request specifying the amount of the requested Advance and the date on which the Advance is to be made.
- 3.2 Subject to:
- 3.2.1 the Company not having notified Cygnet that it is unable to make all or part of the Advance requested;
- 3.2.2 the amount of the Advance being in accordance with such request; and
- 3.2.3 the Company having received the Letter of Support from Cygnet;
- the Company shall make the Advance in accordance with a request from Cygnet at any time during the Availability Period.
- 3.3 For the purposes of clause 3.2 above (clause 4.2 in the Intra-Group Loan Agreement) the Company is deemed "unable" to make all or part of an Advance following the making of such Advance (or such part) it, would be:
- 3.3.1 unable to pay its debts as they fall due for a period of 12 months from the date of the Advance; or
- 3.3.2 insolvent, (which for this purpose shall mean that the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities); and

John
RUTH MURPHY
COLLECTOR

[Signature]

- 3.4 The approval or making of the Advance does not give rise to any offence by any person under the Companies Act 1985 or the Insolvency Act 1986 and is not otherwise illegal.

4. INTEREST

- 4.1 Each Advance shall bear interest at the Applicable Rate which shall accrue from day to day (on the basis of a 365 day year) upon the balance of such Advance under the Facility.
- 4.2 Subject to clause 4.3 below (clause 5.3 in the Intra-Group Loan Agreement), interest which has accrued on Advances in accordance with clause 4.1 above (clause 5.1 of the Intra-Group Loan Agreement) above shall be payable quarterly in arrears on each Quarter Date (or if such day is not a Business Day on the preceding Business Day) or on such other day or days as may be agreed by the parties from time to time.
- 4.3 Notwithstanding clause 4.2 above (clause 5.2 of the Intra-Group Loan Agreement), interest shall only be payable when permitted pursuant to the provisions of the Finance Documents.

5. REPAYMENT

- 5.1 Cygnet shall repay all Advances together with all interest accrued thereon and all other amounts due from Cygnet under the Intra-Group Loan Agreement on the date the Company gives Cygnet a written demand for payment, subject always to the provisions of the Finance Documents.
- 5.2 A certificate from the Company as to the amount at any time due from Cygnet to the Company under the Intra-Group Loan Agreement shall, in the absence of manifest error, be conclusive.
- 5.3 Cygnet shall be entitled to set-off against amounts due and owing by it under the Intra-Group Loan Agreement to the Company amounts due and owing by the Company to Cygnet.

6. FORM OF LETTER OF SUPPORT

"CYGNET HEALTH CARE LIMITED

(Registered No. 02141256)

Registered Office: Godden Green Clinic, Godden Green, Sevenoaks, Kent TN15 0JR

To: Springs Community Limited (the "Company")

[] 2006

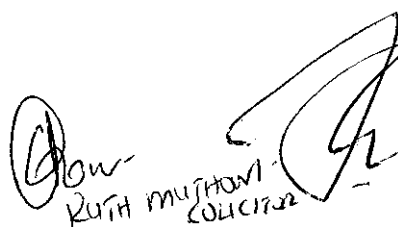
Dear Sirs

Intra-group funding

1. We, Cygnet Health Care Limited, are writing this letter in consideration of the Company:

John Muthow
SOLICITOR

- 1.1 entering into an asset hive-up agreement dated on or about the date of this letter (the "**Asset Hive-Up Agreement**") in respect of the sale and purchase by the Cygnet Health Care Limited of all of the business and assets of the Company; and
- 1.2 entering into an intra-group loan agreement dated on or about the date of this letter and made between Cygnet Health Care Limited as borrower and the Company as lender in which the Company has agreed to make available to Cygnet Health Care Limited a loan facility ("**Intra-Group Loan Agreement**").
2. We hereby confirm that it is our view, after careful consideration, that the Company has sufficient working capital until at least the date falling one year from the date of this letter in order for it to carry on its business and operations as we propose.
3. To the extent that the Company, for whatever reason, has difficulty in meeting its individual working capital needs, we hereby undertake that subject to no Termination Event (as defined below) having occurred and being continuing on and from the execution of the Asset Hive-Up Agreement and the Intra-Group Loan Agreement referred to above we will lend the Company such amounts as are necessary to meet any working capital shortfalls.
4. Any amounts so lent to the Company shall, unless we otherwise agree:
 - (a) be repayable (together with accrued interest) on the date we give the Company a written demand for repayment (which in the case of a demand given within the first twelve months after the date of this Agreement may only be given whilst a Termination Event is continuing in relation to the Company); and
 - (b) bear interest (payable annually in arrears on the last day of the accounting reference period for the Company, in each year or otherwise as agreed by the parties) at the Applicable Rate.
5. The Company will cease to be entitled to the benefit of the above undertaking upon ceasing to be a member of the Group.
6. In this letter:
 - 6.1 "**Applicable Rate**" means 1 per cent per annum above the base rate from time to time of the Bank or such other rate as may be agreed between us and the Company.
 - 6.2 "**Bank**" means National Westminster Bank plc.
 - 6.3 "**Group**" means Cygnet Health Care Limited and all of its subsidiaries for the time being;
 - 6.4 "**Holding Company**" and "**Subsidiary**" have the respective meanings ascribed to there in Section 736 of the Companies Act 1985 (as amended);
 - 6.5 "**Termination Event**" means, in relation to the Company, the occurrence of any of the following:
 - 6.5.1 failure by the Company to pay when due any amount of interest payable by it on any amounts lent to it pursuant to paragraph 3 above; or



Ruth Muthoni
COUNCILOR

- 6.5.2 the insolvency (for the purpose of any applicable law) of the Company;
or
- 6.5.3 the appointment of a receiver or manager or similar person over all or
any part of the Company's assets; or
- 6.5.4 the presentation of a petition for the winding-up of the Company or the
appointment of a liquidator of the Company or for the making of an
administration order in relation to the Company or the passing of a
resolution for the voluntary winding-up of the Company.

7 This letter shall be governed by and construed in all respects in accordance with
English law.

8. If you agree to the above, please sign under your name where it appears below.

Yours faithfully

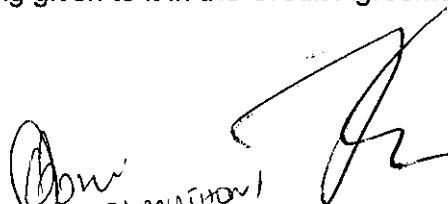
For and on behalf of
CYGNET HEALTH CARE LIMITED

Agreed and accepted

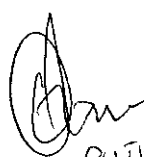

For and on behalf of
SPRINGS COMMUNITY LIMITED"

7. In the Intra-Group Loan Agreement the following terms have the following
meanings:

"Advance"	means, save as otherwise provided in the Intra-Group Loan Agreement, an advance made or to be made hereunder by the Company;
"Applicable Rate"	means 1 per cent per annum above the Bank's base rate or such other rate as may be agreed from time to time between Cygnet and the Company;
"Availability Period"	means the period from the date of the Intra-Group Loan Agreement to 22 October 2014, or such other date as may be agreed between Cygnet and the Company;
"Bank"	means National Westminster Bank Plc;
"Business Day"	has the meaning given to it in the Credit Agreement;


RUTH MUTHONI
SOLICITOR

"Credit Agreement"	means a credit agreement relating to (i) a term loan facility of £44,000,000; (ii) a revolving credit facility of £30,500,000; and (iii) an overdraft facility of £2,000,000 entered into between (1) Cygnet 2002 Limited, Cygnet 2000 Limited and Cygnet (as borrowers), and (2) the Bank (as lender) dated 31 October 2005 as amended and restated on 22 October 2002 and as further amended and restated on 5 May 2006 and as further amended, supplemented or restated from time to time;
"Finance Documents"	means the Credit Agreement and the Asset Hive-Up Agreement;
"Letter of Support"	means a letter from Cygnet to the Company dated on or about the date of the Intra-Group Loan Agreement substantially in the form of the letter annexed as Schedule 1 to the Intra-Group Loan Agreement (and also set out above);
"Quarter Date"	means each of 31 January, 30 April, 31 July and 31 October.


RUTH MUTHONI
SOLICITOR 

Springs Community Limited (Company Number 02689545)
Union House
Walton Lodge
Bridge Street
Walton-on-Thames
Surrey KT12 1BT

Dear Sirs

**AUDITORS REPORT TO THE SOLE DIRECTOR OF SPRINGS COMMUNITY LIMITED
PURSUANT TO SECTION 156(4) OF THE COMPANIES ACT 1985**

We have examined the attached statutory declaration of the Sole Director dated today in connection with the proposed financial assistance to be given by Springs Community Limited (the "Company") for the transfer of the business and assets of the Company to Cygnet Health Care Limited.

Basis of opinion

We have enquired into the state of affairs of the Company in order to review the bases for the attached statutory declaration.

Opinion

We are not aware of anything to indicate that the opinion expressed by the Sole Director in his attached statutory declaration as to any of the matters mentioned in section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully



Noel & Co
Chartered Accountants
Registered Auditors

26 July 2006