

Declaration by the directors of a holding company in relation to assistance for the acquisition of shares

155(6)b

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I		I		I	
L	-	L	-	L	-

Ø insert name(s) and address(es) of all the directors

~~XXXXXXXXXXXX~~ [all the directors][†] of the above company (hereinafter called 'this company') do solemnly and sincerely declare that:

The business of this company is:

(a) ~~XXXXXX a person used bank premises consisting with the meaning of the Banking Act 1988~~
~~XXXXXX XXX~~
~~XXXXXX a person authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on~~
~~XXXXXX insurance businesses in the United Kingdom~~
 (c) something other than the above§

This company is [the] ~~[X]~~ holding company of* Transform Medical Group (CS) Limited
(Company Number 03228976) (the "Assisting Subsidiary") which is
proposing to give financial assistance in connection with the acquisition of shares
in [this company] [and Covenant Healthcare Limited (Company Number 04144770)

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

DX (255) London/Chancery
1531/CP2:145716.1

Post room



LD4
COMPANIES HOUSE

0255
22/04/05

145716

The assistance is for the purpose of [that acquisition]&[reducing or discharging a liability incurred for the purpose of that acquisition].† (note 1)

Please do not
write in this
margin

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

The number and class of the shares acquired or to be acquired is: Please see attached Annexure A

The assistance is to be given to: (note 2) Please see attached Annexure B

The assistance will take the form of:

Please see attached Annexure C

The person who [has acquired]&[will acquire]† the shares is:

Please see attached Annexure D

† delete as
appropriate

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

Please see attached Annexure E

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced by giving it is Nil

The amount of cash to be transferred to the person assisted is £ Please see attached Annexure F

The value of any asset to be transferred to the person assisted is £ Nil

Please do not
write in this
margin

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

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

☒ We have formed the opinion, as regards this company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

* delete either (a) or
(b) as appropriate

(a) ☒ We have formed the opinion that this company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

(b) ~~It is intended to commence the winding up of this company within 12 months of the date, and we have formed the opinion that this company will be able to pay its debts as they fall due within 12 months of the commencement of the winding up.* (note 3)~~

And ☒ we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at

Please see attached continuation
sheet

Declarants to sign below

Day Month Year
on

1	4	0	4	2	0	0	5
---	---	---	---	---	---	---	---

before me

[Signature]

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

NOTES

- 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
Companies House
37 Castle Terrace
Edinburgh
EH1 2EB

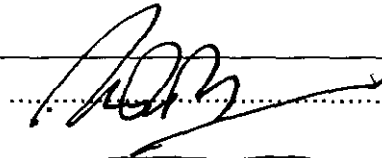

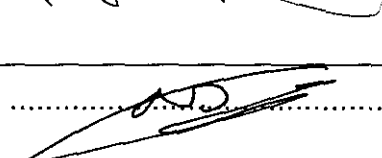
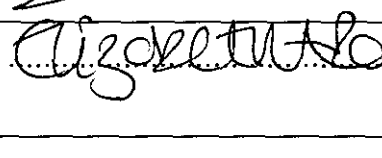
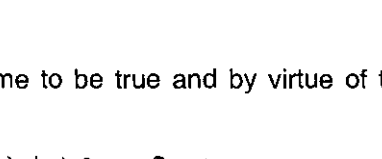
TRANSFORM HOLDINGS LIMITED

Company No. 02773587

(the "Company")

Form 155(6)b

Continuation sheet page 1

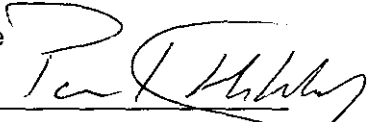
Magdy Adib Ishak Hanna	7 Beaumont Gardens, Hampstead London NW3 7TF	
James Ramsay	7 Sands Farm Drive, Burnham Buckinghamshire SL1 7LD	
Ian Ashley Richardson	Monkswell, The Ridgeway, Northaw Hertfordshire EN6 4BH	
Nigel John Curry	1 Furness Lodge Close, Furness Vale, High Peak, Cheshire SK23 7QR	
Elizabeth Ann Dale	2 Ledborough Wood, Beaconsfield, Buckinghamshire HP9 2DJ	

And we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of this Statutory Declarations Act 1835.

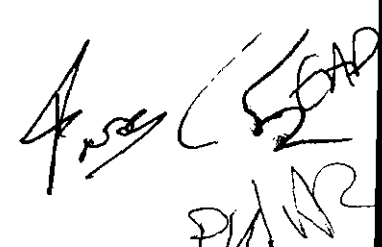
Declared at SJ BERWIN, 222 GRAYS INN ROAD, LONDON WC1X 8XF

the 14 day of APRIL 2005

before me



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



TRANSFORM HOLDINGS LIMITED

Company No. 02773587

(the "Company")

Form 155(6)b in relation to Transform Medical Group (CS) Limited

Annexures

Definitions

In this Statutory Declaration (including all Annexures) the following expressions shall have the following meanings:

"Accession Letter"	means the document substantially in the form set out in Schedule 6 of the Facilities Agreement
"Acquisition"	means the acquisition by the Borrower of the entire issued share capital of the Target
"Acquisition Costs"	means all fees, costs and expenses, stamp, registration and other Tax incurred by the Assisting Subsidiary or any other member of the Group in connection with the Acquisition or the Transaction Security Documents up to a maximum aggregate amount of £7,500,000.
"Additional Guarantor"	means a company which becomes a Guarantor in accordance with clause 27 of the Facilities Agreement
"Affiliate"	means in relation to any person a subsidiary of that person or a holding company of that person or any other subsidiary of that holding company
"Ancillary Document"	means each document relating to or evidencing the terms of an Ancillary Facility
"Ancillary Facility"	means any ancillary facility made available by any Ancillary Lender in accordance with clause 6 of the Facilities Agreement
"Ancillary Lender"	means each Lender (or Affiliate of a Lender) which makes available an Ancillary Facility in accordance with clause 6 of the Facilities Agreement
"Arranger"	means the Bank
"Assisting Subsidiary"	means Transform Medical Group (CS) Limited
"Bank"	means The Governor and Company of the Bank of Scotland plc
"Borrower"	means the Parent
"Compliance Certificate"	means the certificate substantially in the form set out in Schedule 8 of the Facilities Agreement and Schedule 8 of the Mezzanine Facility Agreement.
"Charged Property"	means all of the assets of the Obligors which from time to time

are or are expressed to be the subject of the Transaction Security.

"Company Intra-Group Loan Agreement"

means the intra-group loan agreement whereby the Assisting Subsidiary, *inter alia*, agrees to provide a facility of up to £130,000,000 to the Parent (or such other sum as may be agreed between each of the Parent and the Assisting Subsidiary) that may be utilised to provide funding to meet its obligations due to the Bank under the Facilities Agreement and the Mezzanine Facility Agreement including the acquisition of the Target by the Parent

"Debenture"

means the debenture entered into by the Assisting Subsidiary, *inter alia*, in favour of the Bank in its capacity as Security Trustee for the Secured Parties whereby the Assisting Subsidiary as principal obligor and not merely as surety covenants in favour of the Security Trustee that it will pay and discharge the Secured Obligations when due and as security for the Secured Obligations grants a legal mortgage over all property belonging to the Assisting Subsidiary or in which the Assisting Subsidiary has an interest and grants a fixed and floating charge over all its assets and undertakings now and in the future.

"Delegate"

means any delegate, agent, attorney or co-trustee appointed by the Security Trustee.

"Facility Agent"

means the Bank.

"Facilities Agreement"

means the facilities agreement between the Bank (in its capacities as Arranger, Facility Agent, Original Lender, Security Trustee and Ancillary Lender), the Borrower and the Subsidiaries whereby the Bank as the Original Lender and in its various other capacities has agreed to make available to, *inter alios*, the Borrower a Facility A Term Loan of £35,000,000, a Facility B Term Loan of £25,00,000, a Facility C Term Loan of £25,000,000, a Facility D Term Loan of £20,000,000 and a Revolving Facility of £5,000,000.

"Fee Letter"

means any letter or letters dated on or about the date of the Facilities Agreement between the Arranger and the Parent (the Facility Agent and the Parent or the Security Trustee and the Parent) setting out any of the fees referred to in clause 14 of the Facilities Agreement.

"Finance Documents"

means the Facilities Agreement, the Intercreditor Deed, any Accession Letter, any Ancillary Document, any Compliance Certificate, the Company Intra-Group Loan Agreement, any Fee Letter, any Hedging Agreement, any Resignation Letter, any Selection Notice, any Transaction Security Document, any Utilisation Request and any other document designated as a "Finance Document" by the Facility Agent and the Parent.

"Finance Parties"

means the Facility Agent, the Arranger, the Security Trustee,

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* *[Signature]*
PH

	"Mezzanine Finance Party") .
"Obligors"	means a Borrower or a Guarantor.
"Original Lender"	means the Bank.
"Original Mezzanine Lender"	means the Bank.
"Parent"	means Covenant Healthcare Group Limited, company number 05389815, whose registered office is at 22 Wimpole Street, London W1M 8LD.
"Party"	means a party to the Facilities Agreement.
"Receiver"	means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.
"Resignation Letter"	means a letter substantially in the form set out in Schedule 7 of the Facilities Agreement.
"Secured Obligations"	all present and future obligations and liabilities owing to the Security Trustee or any other Secured Party by the Assisting Subsidiary or the Subsidiaries or any other subsidiary of a Subsidiary of the Parent under or pursuant to the Finance Documents and the Mezzanine Finance Documents.
"Secured Parties"	means each Finance Party from time to time party to the Facilities Agreement or the Intercreditor Deed and any Receiver or Delegate and each Mezzanine Finance Party.
"Security"	means a mortgage, charge, pledge, lien or other security interests securing any obligation of any person or any other agreement or arrangement having similar effect.
"Security Trustee"	means the Bank.
"Selection Notice"	means a notice substantially in the form set out in part 2 of schedule 3 of the Facilities Agreement in accordance with clause 12 of the Facilities Agreement or a notice substantially in the form set out in part 2 of schedule 3 of the Mezzanine Facility Agreement in accordance with clause [11] of the Mezzanine Facility Agreement.
"Subsidiaries"	means each of Covenant Healthcare Limited, Transform Holdings Limited, Covenant Healthcare Rehabilitation (Holdings) Limited, Abbey Hospitals (Holdings) Limited, Transform Medical Group (CS) Limited, Transform Property (Pines) Limited, Covenant Healthcare Rehabilitation (Property) Limited, Covenant Healthcare Rehabilitation (Services) Limited, Abbey Hospitals (Property) Limited, ELF Associates Limited, Abbey Hospitals Limited and Abbey Park Hospital Limited (and any of them being a "Subsidiary").
"Tax"	means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

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"Target"

means Covenant Healthcare Limited, company number 04144770 whose registered office is at 22 Wimpole Street, London W1M 8LD.

"THL Acquisition Facility"

means the facility provided to, among others, the Company by the Governor and Company of the Bank of Scotland under a facility letter dated 14 June 2002 (as amended from time to time) in order to, among other things, assist in the financing of the acquisition by the Target of the entire issued share capital of the Company.

"Transaction Security"

means the Security created or expressed to be created in favour of the Security Trustee pursuant to the Transaction Security Documents.

"Transaction Security Document"

means each of the documents listed as being Transaction Security Documents in the Facilities Agreement and any document required to be delivered to the Facility Agent in the Facilities Agreement together with any other document entered into by any Obligor to create any Security of all or any part of its assets in respect of the obligations of any of the Obligors under any of the Finance Documents or the Mezzanine Finance Documents.

"Utilisation Request"

means a notice substantially in the relevant form set out in part 1 of schedule 3 of the Facilities Agreement and the Mezzanine Facility Agreement.

Reference to a document or an agreement means that document or agreement as amended from time to time.

Reference to a person includes that person's assignees, transferees or successors in title.

Annexure A

- (1) 100 ordinary shares of £1 each in the Company pursuant to a share sale and purchase agreement dated 24 October 2002 between John Michael Ryan (1) and the Company (2).
- (2) 309,315 ordinary shares at £1 each, 200,952 deferred shares at £1 each and 11,016,829 preference shares at £1 each.

Annexure B

- (1) The Target with registered office at 22 Wimpole Street, London W1M 8LD.
- (2) The Borrower with registered office at 22 Wimpole Street, London W1M 8LD.

Handwritten signatures and initials:
FAD
P41AR

Annexure C

The assistance will take the form of the Assisting Subsidiary entering into the following documents:

1. Debenture;
2. the Company Intra-Group Loan Agreement;
3. Facilities Agreement;
4. Mezzanine Facility Agreement; and
5. Intercreditor Deed.

The obligations, undertakings and liabilities incurred by the Assisting Subsidiary in giving this assistance are given to guarantee, secure or otherwise assist (i) the Borrower in connection with the obligations, undertakings and liabilities which it will incur in connection with the acquisition of the entire issued share capital of the Target; and (ii) the Target in connection with the refinancing of the THL Acquisition Facility.

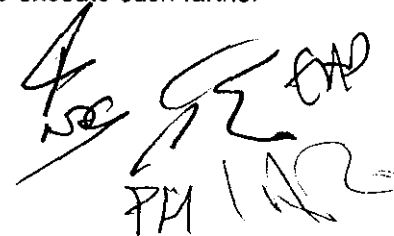
Annexure D

- (1) The Target has acquired 100 ordinary shares of £1 each in the Company on or about 24 October 2002.
- (2) The Borrower will acquire the Target Shares.

Annexure E

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

1. The guarantee and indemnity contained in each of the Facilities Agreement and the Mezzanine Facility Agreement under which the Assisting Subsidiary together with each of the other Subsidiaries, (i) jointly and severally guarantees to each Finance Party or Mezzanine Finance Party (as the case may be) punctual performance by the Borrower of the Borrower's obligations under the Finance Documents; (ii) undertakes with each Finance Party and each Mezzanine Finance Party, as relevant, that whenever a Borrower does not pay any amount when due under or in connection with any Finance Document or Mezzanine Finance Document (as the case may be), to immediately on demand pay that amount as it was the principal; and (iii) indemnifies each Finance Party and each Mezzanine Finance Party, as relevant, immediately on demand against any cost, loss or liability suffered by that Finance Party or Mezzanine Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal and acknowledges that the amount of the cost, loss or liability shall be equal to the amount which that Finance Party or Mezzanine Finance Party would otherwise have been entitled to recover. The Assisting Subsidiary also agrees pursuant to the terms of the Facilities Agreement and the Mezzanine Facility Agreement to be subject to certain rights of set-off contained therein.
2. The Debenture under which the Assisting Subsidiary, *inter alia*, with full title charges to the Bank for the payment or discharge of all the Secured Obligations by way of legal mortgage all property belonging to the Assisting Subsidiary or in which the Assisting Subsidiary have an interest and grants a fixed and floating charge over all of its assets and undertakings now and in the future. The Assisting Subsidiary also agrees to indemnify the Security Trustee and each of the Secured Parties against any losses incurred by them as a result of *inter alia* the Assisting Subsidiary breaching its obligations thereunder. The Assisting Subsidiary also agrees to execute such further

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documents and perform such further actions as required to protect and perfect the security created thereunder.

3. The Company Intra-Group Loan Agreement whereby the Assisting Subsidiary, *inter alia*, agrees to provide a facility of up to £130,000,000 to the Parent (or such other sum as may be agreed between each of the Parent and the Assisting Subsidiary) that may be utilised to provide funding to meet its obligations due to the Bank under the Facilities Agreement and the Mezzanine Facility Agreement including the acquisition of the Company by the Parent.
4. The Intercreditor Deed pursuant to the terms of which the Assisting Subsidiary agrees to certain ranking and priority arrangements in respect of the sums due and owing to the Finance Parties and the Mezzanine Finance Parties.

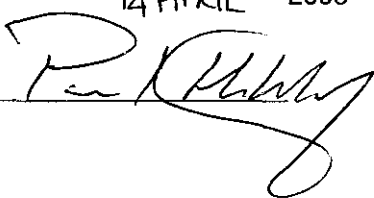
Annexure F

Nil at the date hereof, subject to any amounts advanced pursuant to the Company Intra-Group Loan Agreement

These above Annexures A to F referred to in Form 155(6)b declared by the Directors of the Company on

Signed ^{14 APRIL 2005}

Solicitor



Private and confidential

The Directors
Transform Holdings Limited
22 Wimpole Street
London
W1M 8LD

14 April 2005

Dear Sirs

Auditors' report to the directors of Transform Holdings Limited pursuant to section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors of Transform Holdings Limited ("the Company") dated 14 April 2005, prepared in accordance with applicable United Kingdom Law, in connection with the proposal that the Company's subsidiary undertaking, Transform Medical Group (CS) Limited, should give financial assistance for (i) the proposed purchase of the entire issued share capital of Covenant Healthcare Limited, and (ii) the reducing or discharge of liability in connection with the previous purchase of the entire issued share capital of the Company.

This report is made solely to the directors in accordance with Section 156(4) of the Companies Act 1985. Our audit work has been undertaken so that we might state to the directors 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 directors, for our audit work, for this report, or for the opinions we have formed.

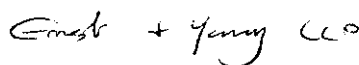
Basis of opinion

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

Opinion

We are not aware of anything to indicate that the opinion expressed by the directors in their 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



Ernst & Young LLP

Registered Auditor

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10 February - 15 May 2005

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