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Company Registration No. 3209169 (England and Wales)

HCP HOLDINGS LIMITED
DIRECTORS' REPORT AND GROUP ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004



HCP HOLDINGS LIMITED



COMPANY INFORMATION

Directors

Sir Derek Boorman
G N V Green
T R Pearson
M A Fernandes
J M K Hubbard
R A Pett
L G Blade
M Lennon
I C S Barby

Secretary

R S West

Company number

3209169

Registered office

3 White Oak Square
London Road
Swanley
BR8 7AG

Auditors

H W Fisher & Company
Acre House
11-15 William Road
London
NW1 3ER

Bankers

National Westminster Bank Plc
City of London
1 Prince's Street
London
EC2R 8PA

Lloyds TSB Bank Plc
8-10 Waterloo Plc
London
SW1Y 4BE

Solicitors

CMS Cameron McKenna
Mitre House
160 Aldersgate Street
London
EC1A 4DD

HCP HOLDINGS LIMITED

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HCP HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and group accounts for the year ended 31 December 2004.

Principal activities

The principal activities of the Group are the provision of management services to Private Finance Initiative ("PFI") projects in the health care and education sectors. The Group also provides project management and clinical planning services to consortia bidding for new PFI projects.

Review of business

The company continues to hold its investments in Health Care Projects Limited, HCP (Clinical Planning) Limited and HCP Bidding Limited.

At the commencement of the year under review the Group had management contracts at seven PFI hospital projects in South Buckinghamshire, Greenwich, Reading, Coventry, Norwich, Hairmyres and Derby together with a management contract for a grouped schools PFI project in Birmingham.

During the year under review the Group acquired a further management contract for a PFI hospital in Cambridgeshire. Further PFI hospital management contracts are anticipated to come on stream in 2005.

The Group continues to assist its major shareholder, Innisfree, in bidding for future PFI contracts. In addition it provides both clinical planning services and assistance in bidding contracts under the Government's Procure 21 Scheme to contractors active in the health sector.

Results and dividends

The group profit for the year after taxation amounted to £198,719.

The directors do not recommend the payment of a dividend.

Directors and their interests

The directors at 31 December 2004 and their beneficial interests in the shares of the company and other group companies were:

| | Ordinary of 20p each | |
|-------------------|----------------------|----------------|
| | 31 December 2004 | 1 January 2004 |
| Sir Derek Boorman | 27,823 | 10 |
| G N V Green | 278,239 | 76,284 |
| T R Pearson | - | - |
| M A Fernandes | - | - |
| J M K Hubbard | 69,559 | - |
| R A Pett | 69,559 | - |
| L G Blade | 69,559 | - |

M Lennon and I C S Barby were appointed as directors on 26 January and 5 April 2005 respectively.

HCP HOLDINGS LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985. Therefore, the auditors, H.W. Fisher & Company, will be deemed to be reappointed for each succeeding financial year.

On behalf of the Board



R S West

Secretary

Dated:17/8/2005

HCP HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS**

We have audited the group accounts of HCP Holdings Limited for the year ended 31 December 2004 set out on pages 5 to 15. These accounts have been prepared under the historical cost convention and the accounting policies set out on page 7.

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 auditor's 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

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view 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 accounts, 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

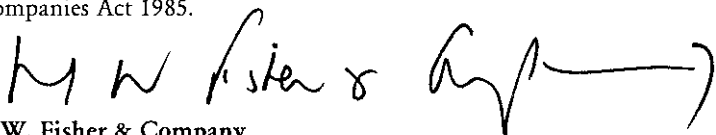
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's and the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's and the group's affairs as at 31 December 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



H.W. Fisher & Company

Chartered Accountants

Registered Auditor

Acre House

11-15 William Road

London

NW1 3ER

United Kingdom

Dated: 17/8/05

HCP HOLDINGS LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

| | Notes | 2004 £ | 2003 £ |
|--|-------|-------------|-------------|
| Turnover | | 4,509,531 | 3,537,787 |
| Administrative expenses | | (4,331,385) | (3,444,954) |
| Operating profit | 3 | 178,146 | 92,833 |
| Other income | | 11,015 | 7,144 |
| Interest payable and similar charges | | - | (6) |
| Profit on ordinary activities before taxation | | 189,161 | 99,971 |
| Tax on profit on ordinary activities | 6 | 9,558 | (24) |
| Profit on ordinary activities after taxation | | 198,719 | 99,947 |
| Retained profit/(accumulated loss) brought forward | | 87,512 | (12,435) |
| Retained profit carried forward | | 286,231 | 87,512 |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

HCP HOLDINGS LIMITED

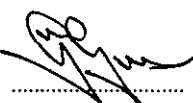
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BALANCE SHEETS

AS AT 31 DECEMBER 2004

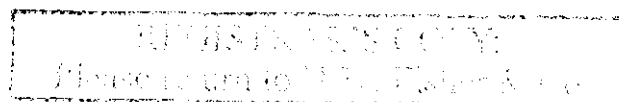
| | | Group | | Company | |
|---|-------|------------------|----------------|------------------|------------------|
| | Notes | 2004 £ | 2003 £ | 2004 £ | 2003 £ |
| Fixed assets | | | | | |
| Tangible assets | 9 | 58,868 | 62,588 | - | - |
| Investments | 10 | - | - | 1,314,222 | 857,275 |
| | | <u>58,868</u> | <u>62,588</u> | <u>1,314,222</u> | <u>857,275</u> |
| Current assets | | | | | |
| Debtors | 11 | 901,752 | 401,700 | - | - |
| Cash at bank and in hand | | 534,850 | 570,693 | 203 | 67 |
| | | <u>1,436,602</u> | <u>972,393</u> | <u>203</u> | <u>67</u> |
| Creditors: amounts falling due within one year | 12 | (652,762) | (487,028) | (319,687) | (415,587) |
| Net current assets | | <u>783,840</u> | <u>485,365</u> | <u>(319,484)</u> | <u>(415,520)</u> |
| Total assets less current liabilities | | <u>842,708</u> | <u>547,953</u> | <u>994,738</u> | <u>441,755</u> |
| Capital and reserves | | | | | |
| Called up share capital | 14 | 556,477 | 460,441 | 556,477 | 460,441 |
| Profit and loss account | | 286,231 | 87,512 | 438,261 | (18,686) |
| Shareholders' funds - equity interests | 15 | <u>842,708</u> | <u>547,953</u> | <u>994,738</u> | <u>441,755</u> |

The accounts were approved by the board on 17/8/2005



G N V Green
Director

HCP HOLDINGS LIMITED



NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company and the group as a whole is a small group.

1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings made up to 31 December 2004. Intra-group sales and profits are eliminated fully on consolidation.

1.3 Turnover

Turnover represents the invoiced value of services provided net of VAT.

1.4 Goodwill

Acquired goodwill is capitalised and amortised over its useful economic life.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------|-------------------|
| Office equipment | 20% straight line |
| Computers and telephones | 33% straight line |
| Fixtures and fittings | 25% straight line |
| Motor vehicles | 33% straight line |

1.6 Leasing

Assets held under finance leases and hire purchase contracts are treated as if they had been purchased outright at the present value of the rentals payable, less finance charges, over the primary period of the agreements. The corresponding obligations under these agreements are included in creditors. The finance element of the rentals payable is charged to the profit and loss account so as to produce a constant rate of charge on the outstanding balance in each period.

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.7 Investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

Current asset investments are stated at the lower of cost and market value.

1.8 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

HCP HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

2 Turnover

The total turnover of the group for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

| 3 Operating profit | 2004 | 2003 |
|---|--------------|--------------|
| | £ | £ |
| Operating profit is stated after charging: | | |
| Depreciation of owned tangible assets | 37,360 | 39,437 |
| Operating lease rentals | 49,400 | 49,400 |
| Auditors' remuneration (Company £Nil; 2003 : Nil) | 8,000 | 6,250 |
| | <u>8,000</u> | <u>6,250</u> |

| 4 Directors' emoluments | 2004 | 2003 |
|---|----------------|----------------|
| | £ | £ |
| Aggregate emoluments | 430,481 | 526,229 |
| Company contributions to defined contribution pension schemes | 61,504 | 70,225 |
| | <u>491,985</u> | <u>596,454</u> |

Retirement benefits are accruing to 4 (2003 - 4) directors under defined contribution schemes.

Emoluments disclosed above include the following amounts paid to the highest paid director:

| | | |
|---|----------------|----------------|
| Aggregate emoluments | 168,895 | 155,359 |
| Company contributions to defined contribution pension schemes | 27,560 | 27,008 |
| | <u>196,455</u> | <u>182,367</u> |

HCP HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

5 Employees

Number of employees

The average weekly number of employees during the year was:

| | 2004 Number | 2003 Number |
|----------------------------|----------------|----------------|
| Directors | 7 | 7 |
| Project and administration | 46 | 41 |
| | <u>53</u> | <u>48</u> |

Employment costs

| | £ | £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,913,033 | 2,486,340 |
| Social security costs | 354,603 | 291,972 |
| Other pension costs | 384,020 | 332,142 |
| | <u>3,651,656</u> | <u>3,110,454</u> |

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NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

6 Tax on profit on ordinary activities

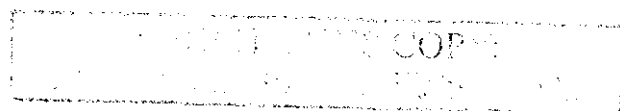
| | £ | £ | £ | £ |
|--|----------|----------|---------|----------|
| Current tax | | | | |
| <u>UK corporation tax</u> | | | | |
| Current tax on income for the period | 2,093 | | 1,356 | |
| Adjustments in respect of prior periods | - | | (1,332) | |
| | | 2,093 | | 24 |
| Deferred tax | | | | |
| Origination and reversal of timing differences | (11,651) | | - | |
| | | (11,651) | | - |
| | | (9,558) | | 24 |
| Factors affecting the tax charge for the year | | | | |
| Profit on ordinary activities before taxation | | 189,161 | | 99,971 |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%) | | 35,941 | | 18,994 |
| Effects of: | | | | |
| Expenses not deductible for tax purposes | | 4,403 | | 2,087 |
| Capital allowances for period in excess of depreciation | | 664 | | (5,427) |
| Movement in tax losses | | (38,915) | | (14,298) |
| Adjustments to tax charge in respect of previous periods | | - | | (1,332) |
| Current tax charge | | 2,093 | | 24 |

7 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these accounts. The profit for the financial year is made up as follows:

| | 2004 | 2003 |
|---|---------|------|
| | £ | £ |
| Holding company's profit for the financial year | 456,947 | - |

HCP HOLDINGS LIMITED



NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

8 Intangible fixed assets

Group

Goodwill
£

Cost

At 1 January 2004 and at 31 December 2004

109,052

Amortisation

At 1 January 2004 and at 31 December 2004

109,052

Net book value

At 31 December 2004

-

9 Tangible fixed assets

Group

| | Office Equipment | Computers and telephones | Fixtures and fittings | Motor vehicles | Total |
|----------------------------|---------------------|--------------------------------|--------------------------|-------------------|----------------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2004 | 8,601 | 115,258 | 28,260 | 23,323 | 175,442 |
| Additions | - | 32,321 | 1,319 | - | 33,640 |
| At 31 December 2004 | 8,601 | 147,579 | 29,579 | 23,323 | 209,082 |
| Depreciation | | | | | |
| At 1 January 2004 | 3,609 | 77,362 | 26,749 | 5,134 | 112,854 |
| Charge for the year | 1,584 | 28,943 | 672 | 6,161 | 37,360 |
| At 31 December 2004 | 5,193 | 106,305 | 27,421 | 11,295 | 150,214 |
| Net book value | | | | | |
| At 31 December 2004 | 3,408 | 41,274 | 2,158 | 12,028 | 58,868 |
| At 31 December 2003 | 4,992 | 37,896 | 1,511 | 18,189 | 62,588 |

HCP HOLDINGS LIMITED

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NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

10 Fixed asset investments

Company

| | Unlisted investments |
|---|-------------------------|
| | £ |
| Cost | |
| At 1 January 2004 and at 31 December 2004 | 1,314,222 |
| Provisions for diminution in value | |
| At 1 January 2004 | 456,947 |
| Charge for the year | (456,947) |
| At 31 December 2004 | - |
| Net book value | |
| At 31 December 2004 | 1,314,222 |
| At 31 December 2003 | 857,275 |

Holdings of more than 20%

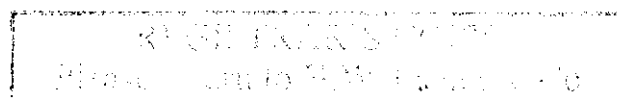
The company holds more than 20% of the share capital of the following companies:

| Company | Country of registration or incorporation | Class | Shares held % |
|--------------------------------|---|----------|------------------|
| Subsidiary undertakings | | | |
| Health Care Projects Ltd | England and Wales | Ordinary | 100 |
| HCP (Clinical Planning) Ltd | England and Wales | Ordinary | 100 |
| HCP (Bidding) Ltd | England and Wales | Ordinary | 100 |

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

| | Capital and reserves | Profit for the year |
|-----------------------------|-------------------------|------------------------|
| | £ | £ |
| Health Care Projects Ltd | 1,160,404 | 198,719 |
| HCP (Clinical Planning) Ltd | 1,787 | - |
| HCP (Bidding) Ltd | 1 | - |

HCP HOLDINGS LIMITED



NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

11 Debtors

| | Group | | Company | |
|---|----------------|----------------|----------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Trade debtors | 485,573 | 188,574 | - | - |
| Amounts owed by companies under common control | 289,859 | 132,903 | - | - |
| Other debtors | 16,419 | 11,905 | - | - |
| Prepayments and accrued income | 98,250 | 68,318 | - | - |
| Deferred tax asset (see note 13) | 11,651 | - | - | - |
| | <u>901,752</u> | <u>401,700</u> | <u>-</u> | <u>-</u> |

12 Creditors : amounts falling due within one year

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Bank loans | - | - | - | - |
| Bank overdrafts | - | 3,313 | - | - |
| Trade creditors | 96,175 | 28,229 | - | - |
| Amounts owed to group undertakings | - | - | 319,687 | 415,587 |
| Corporation tax | 2,093 | 1,356 | - | - |
| Taxes and social security costs | 243,654 | 185,788 | - | - |
| Accruals and deferred income | 310,840 | 268,342 | - | - |
| | <u>652,762</u> | <u>487,028</u> | <u>319,687</u> | <u>415,587</u> |

HCP HOLDINGS LIMITED

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NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

13 Provisions for liabilities and charges Group

| | £ |
|--|-----------------|
| Balance at 1 January 2004 | - |
| Profit and loss account | (11,651) |
| | <u>(11,651)</u> |
| Deferred tax asset included in debtors (note 11) | (11,651) |
| | <u>(11,651)</u> |
| Balance at 31 December 2004 | - |

Group

| | 2004 £ | 2003 £ |
|--------------------------|-----------------|-----------|
| Other timing differences | (3,924) | - |
| Tax losses available | (7,727) | - |
| | <u>(11,651)</u> | <u>-</u> |

14 Share capital

| | 2004 £ | 2003 £ |
|---|----------------|----------------|
| Authorised | | |
| 2,800,000 Ordinary of 20p each | <u>560,000</u> | <u>560,000</u> |
| Allotted, called up and fully paid | | |
| 2,782,387 Ordinary shares of 20p each | <u>556,477</u> | <u>460,441</u> |

On 12 July 2004 and 28 July 2004 the company allotted 438,445 and 41,735 shares respectively for cash at par.

HCP HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

| 15 Reconciliation of movements in shareholders' funds | 2004 | 2003 |
|---|---------|---------|
| Group | £ | £ |
| Profit for the financial year | 198,719 | 99,947 |
| Additional shares allotted at par | 96,036 | - |
| Net addition to shareholders' funds | 294,755 | 99,947 |
| Opening shareholders' funds | 547,953 | 448,006 |
| Closing shareholders' funds | 842,708 | 547,953 |

16 Commitments under operating leases

At 31 December 2004 the group had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | |
|----------------------------|--------------------|--------|
| | 2004 | 2003 |
| | £ | £ |
| Expiry date: | | |
| Between two and five years | 49,400 | 49,400 |

17 Related party transactions

Both T Pearson and M Fernandes, directors of HCP Holdings Limited, are directors of Innisfree Limited and Innisfree Partners Limited, and other Innisfree group companies (collectively "Innisfree"). Innisfree owns, through intermediate holding companies, a majority stake in the share capital of United Healthcare (South Buckinghamshire) Limited, Birmingham Schools Partnership Limited, Derby Healthcare Plc and Coventry and Rugby Hospitals Company Plc, and 50% of the share capital of Meridian Hospital Company Plc, Prospect Healthcare (Hairmyres) Limited, and Prospect Healthcare (Reading) Limited and Prospect Healthcare (Hinchbrook) Limited.

In aggregate the group made sales of £2,003,817 (2003:£1,561,324) to the companies referred to above. The amount due in aggregate from these companies to the group at 31 December 2004 was £45,905 (2003:£46,329).

During the year the group also made sales of £832,788 (2003: £1,484,840) to Innisfree Resources Limited. As at the year end £234,954 (2003:£86,574) was due to the group from Innisfree Resources Limited.

18 Controlling parties

The directors consider the ultimate controlling party to be the board of directors of HCP Holdings Limited.

Innisfree PFI Fund LP, a Limited Partnership incorporated in Great Britain and registered in England and Wales owns 80% of the share capital of HCP Holdings Limited.

On 26 January 2005, the Innisfree PFI Fund LP sold its shares in the company to the Innisfree M&G PPP LP.