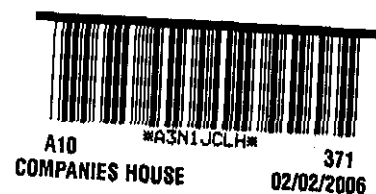


EXCELLCARE MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2004**



Registered Number: 4727097

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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DIRECTORS AND ADVISORS

Directors

B I Balfour
A E Friend
M Smith
M W Smith
I J Wells
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 Banking
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 2004.

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 five Local Improvement Finance Trust schemes during the year on behalf of Excellcare Limited Group. One further Local Improvement Finance Trust scheme is due for completion during 2005.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £1,005,265 (8 April 2003 to 31 December 2003 - £3,034,656 loss) and the profit for the year after taxation amounted to £1,646,334 (8 April 2003 to 31 December 2003 - £3,034,656 loss).

The Directors do not recommend the payment of a dividend (2003 : £nil).

DIRECTORS

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

D J M Hartshorne
I J Wells

Resigned 13th July 2004
Appointed 14th July 2004

DIRECTORS' INTERESTS

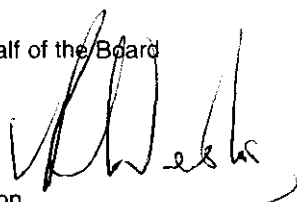
No Director held any interests in the shares of the Company, or had any personal interest in any significant or material contract with the Company, during the year ended 31 December 2004.

No Director had any interest in the shares of any other group company requiring disclosure under the Companies Act 1985.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



R Weston
Director

Date 30 JANUARY 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

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 and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of ExcellCare Management Services Limited for the period ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. 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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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 transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 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 of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

30 January 2006

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	Period from 8 April to 31 December 2003 £
Turnover	1	1,920,219	-
Administrative expenses		(1,189,882)	(3,034,656)
Other operating income		252,269	-
Loss on ordinary activities before interest	2	982,606	(3,034,656)
Net interest receivable	5	22,659	-
Loss on ordinary activities before taxation		1,005,265	(3,034,656)
Tax on profit / (loss) on ordinary activities	6	641,069	-
Retained profit / (loss) for the period transferred to / (from) reserves	10	1,646,334	(3,034,656)

A reconciliation of movement in equity shareholders' funds is given in note 11.

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.

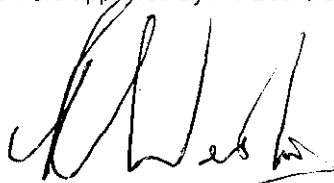
EXCELLCARE MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	2003 £
Current assets			
Debtors			
- due within one year	7	7,128,993	1,080,503
- due after more than one year	7	-	994,590
		<u>7,128,993</u>	<u>2,075,093</u>
Creditors: amounts falling due within one year	8	(8,517,314)	(5,109,748)
Net current liabilities		(1,388,321)	(3,034,655)
Total assets less current liabilities		(1,388,321)	(3,034,655)
Net liabilities		(1,388,321)	(3,034,655)
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	(1,388,322)	(3,034,656)
Equity shareholders' deficit	11	(1,388,321)	(3,034,655)

The financial statements were approved by the Board of Directors on *30 January* 2006 and were signed on its behalf by:

R Weston
Director


30 January 2006

Notes to the financial statements for the year ended 31 December 2004

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 a wholly owned subsidiary undertaking of ExcellCare Limited and as such is exempt under FRS 1 (revised 1996) from the requirement to prepare its own cash flow statement.

b) Turnover

Turnover represents success fees 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 substantially 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 LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST

	Period from 8 April to 31 December	
	2004	2003
	£	£
Loss on ordinary activities before interest and tax is stated after charging:		
Auditors' remuneration		
- audit services	8,349	5,000

3 DIRECTORS' REMUNERATION

The directors did not receive any remuneration for the current or prior period.

4 STAFF NUMBERS

The Company had no employees during the current or prior period.

EXCELLCARE MANAGEMENT SERVICES LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

5 NET INTEREST RECEIVABLE

	2004 £	Period from 8 April to 31 December 2003 £
Interest receivable and similar income		
Interest receivable on bank deposits	22,659	-
Net interest receivable	<u>22,659</u>	<u>-</u>

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2004 £	Period from 8 April to 31 December 2003 £
<u>Analysis of credit for the period</u>		
Current Tax - UK corporation tax	269,147	-
Prior Year Adjustment - payment due for consortium relieved losses	(910,216)	-
Total tax on profit / (loss) on ordinary activities	<u>(641,069)</u>	<u>-</u>

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:

	2004 £	Period from 8 April to 31 December 2003 £
Profit / (loss) on ordinary activities before tax	<u>1,005,265</u>	<u>(3,034,656)</u>
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	301,580	(910,397)
Effects of:		
Unrecognised deferred tax asset relating to tax losses	-	910,397
Prior year adjustment - consortium relieved losses	(910,216)	-
Group relief	(32,432)	-
Total current tax charge for the period	<u>(641,069)</u>	<u>-</u>

7 DEBTORS

	2004 £	2003 £
<u>Due within one year:</u>		
Amounts owed by group undertakings	4,337,585	1
Other taxation and social security	-	719,109
Other debtors	1,273,904	-
Preferred bidder asset capitalised	<u>1,517,504</u>	<u>361,393</u>
	<u>7,128,993</u>	<u>1,080,503</u>
<u>Due after more than one year:</u>		
Preferred bidder asset capitalised	<u>-</u>	<u>994,590</u>

Other debtors include £910,216 (2003 : £nil) due from the group's shareholders in respect of payment due for consortium relieved losses.

8 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank loans and overdrafts	609,084	-
Trade creditors	2,478,894	1,765,898
Amounts owed to group undertakings	4,738,662	3,091,685
UK corporation tax	269,147	-
Other taxation and social security	122,341	-
Other creditors	103,199	-
Accruals and deferred income	<u>195,987</u>	<u>252,165</u>
	<u>8,517,314</u>	<u>5,109,748</u>

Notes to the financial statements for the year ended 31 December 2004 (continued)

9 CALLED UP SHARE CAPITAL

	2004 No.	2003 No.
Authorised:		
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>

10 MOVEMENT IN RESERVES

	Profit and loss account £
At 1 January 2004	(3,034,656)
Retained profit for the period	1,646,334
At 31st December 2004	<u>(1,388,322)</u>

11 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2004 £	2003 £
Opening shareholders' deficit	(3,034,655)	0
Profit / (loss) for the financial year	<u>1,646,334</u>	<u>(3,034,656)</u>
	(1,388,321)	(3,034,656)
New shares issued	-	1
Net shareholders' deficit	<u>(1,388,321)</u>	<u>(3,034,655)</u>

12 TRANSACTIONS WITH RELATED PARTIES

The following parties are related parties as they are shareholders of ExcellCare Management Services Limited: ExcellCare Limited.

Governor and Company of the Bank of Scotland, John Laing plc, Laing Investments Management Services Limited, Sandwell LIFT Company Limited, Grt Nottingham LIFT Company Limited, Liftco Topco (MaST) Limited, Leicester LIFT Company Limited, Southern Derbyshire LIFT Company Limited and North Nottingham LIFT Company Limited.

There were related party transactions with the following parties.

Loans to /(from) related parties at 31 December 2004

	2004 £	2003 £
Loans		
ExcellCare Limited	(1,375,954)	(3,091,684)
Other trading balances		
Fellow subsidiary LIFT companies	850,562	-
Laing Investments Management Services Limited	<u>124,315</u>	<u>-</u>
	<u>(401,077)</u>	<u>(3,091,684)</u>

Purchase of assets and services from related parties

Related party	Nature	2004 £	2003 £
Laing Investments Management Services Limited	Staff costs recharged	576,763	-

13 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.