

Sandwell LIFT Project Company (No. 1) Limited

Directors' report and financial statements

Year ended 31 March 2005

Registered number 04772219



Sandwell LIFT Project Company (No.1) Limited

Directors' report and financial statements

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Sandwell LIFT Project Company (No.1) Limited

Directors' report

The directors present the annual report and the audited financial statements for the year ended 31 March 2005.

Principal activities and future developments

The principal activity of the company is the provision of accommodation and servicing thereof. The directors knew of no material developments that will adversely affect the completion date for the construction of the assets. Subsequent to the completion of the assets, the company will receive lease plus rental income on a monthly basis from related parties, under an arm's length commercial agreement.

Results and dividend

The loss for the year before taxation amounted to £21,245 (2004: £nil) and the loss for the year after taxation amounted to £20,392 (2004: £nil).

The directors recommend that no dividend be paid (2004: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

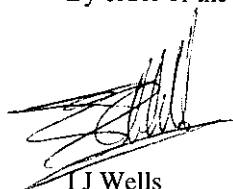
	Appointed	Resigned
C J Bradshaw	05/12/03	
D J M Hartshorne	03/09/03	31/07/04
M G Heath	05/12/03	
A A Prigmore	31/07/04	11/02/05
M W Smith	03/09/03	
I J Wells	15/01/04	

None of the directors had any beneficial interests in the shares of the company during and at the end of the financial year (2004: nil).

Auditors

The company appointed Deloitte & Touche LLP as auditors with effect from 31 January 2005. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board



I J Wells
Director

Date

10/10/2005

Allington House
150 Victoria Street
London, SW1E 5LB

Sandwell LIFT Project Company (No.1) Limited

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 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, subject to any material departures disclosed and explained in the financial statements; 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for the system of internal control, for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Sandwell LIFT Project Company (No.1) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANDWELL LIFT PROJECT COMPANY (No.1) LIMITED

We have audited the financial statements of Sandwell LIFT Project Company (No.1) Limited for the year ended 31 March 2005 which comprise the profit and loss account, balance sheet and 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

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 March 2005 and of its loss 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

Date 18 October 2005

Sandwell LIFT Project Company (No.1) Limited

Profit and loss account

For the year ended 31 March 2005

	<i>Note</i>	2005 £	2004 £
Turnover	2	13,481	-
Cost of sales		(2,798)	-
Gross profit		<u>10,683</u>	<u>-</u>
Administrative expenses		(6,455)	-
Other operating income		125,034	-
Other operating expenditure		(125,034)	-
Operating profit	2	<u>4,228</u>	<u>-</u>
Net interest payable		(25,473)	-
Loss on ordinary activities before taxation	3	<u>(21,245)</u>	<u>-</u>
Tax on loss on ordinary activities	4	853	-
Retained loss for the year		<u>(20,392)</u>	<u>-</u>

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

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

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

Sandwell LIFT Project Company (No.1) Limited

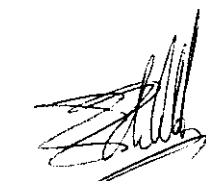
Balance sheet

As at 31 March 2005

	Note	2005 £	2004 £
Fixed assets			
Assets in the course of construction	5	7,947,194	4,128,454
Fixed assets	5	2,968,412	-
		<u>10,915,606</u>	<u>4,128,454</u>
Current assets			
Debtors	6	395,514	531,480
Cash at bank and in hand		791,103	375,791
		<u>1,186,617</u>	<u>907,271</u>
Creditors: amounts falling due within one year	7	(536,119)	(704,946)
Net current assets		<u>650,498</u>	<u>202,325</u>
Total assets less current liabilities		11,566,104	4,330,779
Creditors: amounts falling due after more than one year	8	(11,586,495)	(4,330,778)
		<u>(20,391)</u>	<u>1</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account		(20,392)	-
Equity shareholder's (deficit) / funds	11	<u>(20,391)</u>	<u>1</u>

The financial statements were approved by the board of directors on
signed on its behalf by:

11th Oct 2005 and were


IJ Wells
Director

Sandwell LIFT Project Company (No.1) Limited

Notes to the accounts for the year ended 31 March 2005

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

The company is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985 as the company is included in the accounts of ExcellCare Limited, the ultimate parent company. The company's financial statements present information about it as an individual undertaking and not about its group.

Tangible fixed assets and depreciation

Tangible fixed assets comprise assets in the course of construction being land and buildings thereon. Assets in the course of construction are not depreciated until commissioned. Once commissioned, assets are depreciated over the concession, which is deemed to be the economic useful life.

Interest and fees

Interest costs and fees on borrowings used to fund the construction of the accommodation are included within assets in the course of construction during the construction period.

Operating costs

Operating costs incurred during the construction of the accommodation are included within assets in the course of construction during the construction period. Following practical completion, operating costs are charged to the profit and loss account based on the final construction costs of each building.

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.

2 Turnover, operating profit and net assets

All turnover, operating profit and net assets are derived from activities in the accommodation sector in the United Kingdom.

3 Loss on ordinary activities before taxation

The company made a loss of £21,245 before taxation (2004: £nil). The auditors' remuneration is borne by ExcellCare Limited, another group company (2004: £9,392). The company's auditors received £nil (2004: £nil) during the period for the provision of non-audit services.

The directors received no emoluments in respect of their services to the company (2004: £nil). The Company is managed by secondees from the shareholders under a management services contract.

The company had no employees during the period (2004: none).

Sandwell LIFT Project Company (No.1) Limited

Notes to the accounts for the year ended 31 March 2005 (continued)

4 Tax on loss on ordinary activities

The tax credit for the year represents group relief of £853 (2004 : nil) surrendered to group companies for payment of 30p in the £.

No deferred tax asset has been recognised on losses not surrendered by the company in the period.

5 Fixed assets

	£ Assets in course of construction £	£ Land and buildings £	£ Total £
Cost			
At 1 April 2004	4,128,454	-	4,128,454
Additions	6,789,950	-	6,789,950
Transfers	(2,971,210)	2,971,210	-
At 31 March 2005	<u>7,947,194</u>	<u>2,971,210</u>	<u>10,918,404</u>
Accumulated depreciation			
At 1 April 2004	-	-	-
Charge for the year	-	(2,798)	(2,798)
At 31 March 2005	<u>-</u>	<u>(2,798)</u>	<u>(2,798)</u>
Net book value at 31 March 2005	<u>7,947,194</u>	<u>2,968,412</u>	<u>10,915,606</u>
Net book value at 31 March 2004	<u>4,128,454</u>	<u>-</u>	<u>4,128,454</u>

Assets in the course of construction and land and buildings consist of payments, including capitalised interest and other finance costs of £469,183 for the construction of buildings on sites, which are the property of the company.

6 Debtors

	2005 £	2004 £
Trade debtors	15,840	-
Prepayments	1,437	-
Amounts due from parent undertaking	113,033	531,480
Other debtors	265,204	-
	<u>395,514</u>	<u>531,480</u>

7 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	408,502	34,606
Accruals and deferred income	23,542	665,346
Other creditors	104,075	-
Amounts due to parent undertaking	-	4,994
	<u>536,119</u>	<u>704,946</u>

Sandwell LIFT Project Company (No.1) Limited

Notes to the accounts for the year ended 31 March 2005 (continued)

8 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Senior bank loans	10,259,482	3,072,778
Subordinated debt	736,264	640,000
Mezzanine debt	721,187	618,000
Intercompany loan from parent undertaking	7,289	-
Other creditors	68,560	-
	<u>11,792,782</u>	<u>4,330,778</u>

Analysis of debt:

Debt can be analysed as falling due:

	2005	2004
	£	£
Between one and two years	470,485	443,000
Between two and five years	475,275	526,000
In five years or more	10,778,462	3,361,778
	<u>11,724,222</u>	<u>4,330,778</u>

The intercompany loan from the parent undertaking of £7,289 has no repayment terms and bears no interest.

9 Loans

Interest on the senior facility of £21 million is charged at LIBOR plus margins ranging from 1.0% to 1.2%. The Company has entered into fixed interest rate swaps at rates of 5.28%, 5.23% and 5.24% to mitigate its interest exposure. The Company does not hold or issue derivative financial instruments for speculative purposes.

The senior bank loans are secured by a fixed charge over the assets of the Company under a debenture agreement dated 15 January 2004 and a floating charge over any other assets current or future. The mezzanine debt is secured by a second floating charge over the assets of the Company under a debenture agreement dated 15 January 2004. The subordinated debt is secured by a third floating charge over the assets of the Company.

10 Called up share capital

	2005	2004
	£	£
<i>Authorised</i>		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>
	£	£
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

11 Reconciliation of movements in equity shareholder's funds

	2005	2004
	£	£
Retained loss for the period	(20,392)	-
Issue of ordinary share capital	-	-
Net decrease in equity shareholder's funds	<u>(20,392)</u>	<u>-</u>
Opening equity shareholder's funds	1	-
Closing equity shareholder's deficit	<u>(20,391)</u>	<u>-</u>

Sandwell LIFT Project Company (No.1) Limited

Notes to the accounts for the year ended 31 March 2005 (continued)

12 Capital commitments and contingent liabilities

Capital commitments

The company is committed to the remaining design and construction costs of £1,072,273 payable to *Laing O'Rourke Midlands Limited* under the *Design and Construction contract* relating to the Sandwell LIFT project between Sandwell LIFT Project Co (No.1) Limited and *Laing O'Rourke Midlands Limited*.

The company is committed to a remaining amount of £1,635,927 payable to *Equion Facilities Management Limited*, a fellow group undertaking, under the *Facilities Provision Contract* dated 15 January 2004 relating to the Sandwell LIFT project between Sandwell LIFT Project Co (No.1) Limited and *Equion Facilities Management Limited*.

Contingent liabilities

There are no known contingencies at 31 March 2005 which require disclosure.

13 Related party transactions

The following parties are related parties as they are shareholders of Sandwell LIFT Company Limited, the intermediate parent undertaking: *Partnerships for Health Limited*, *Wednesbury and West Bromwich Primary Care Trust*, *Oldbury and Smethwick Primary Care Trust*, *Rowley Regis and Tipton Primary Care Trust* and *ExcellCare Limited*. The following are related parties as they are indirect shareholders of the ultimate parent company: *The Governor and Company of the Bank of Scotland* and *John Laing plc*.

There were related party transactions with the following parties.

Loans from related parties as at 31 March 2005

	2005 £	2004 £
Senior bank loan		
The Governor and Company of the Bank of Scotland	10,259,482	3,072,778
Intercompany debtor - Sandwell LIFT Company Limited	112,180	531,480
Intercompany loan - Sandwell LIFT Company Limited	7,289	-
Subordinated debt		
Partnerships for Health Limited	145,653	128,000
Wednesbury & West Bromwich Primary Care Trust	49,218	42,667
Oldbury & Smethwick Primary Care Trust	49,218	42,667
Rowley Regis & Tipton Primary Care Trust	49,218	42,666
ExcellCare Ltd	442,957	384,000
	<hr/> 736,264	<hr/> 640,000
Mezzanine debt		
Partnerships for Health Limited	144,237	123,600
Wednesbury & West Bromwich Primary Care Trust	48,079	41,200
Oldbury & Smethwick Primary Care Trust	48,079	41,200
Rowley Regis & Tipton Primary Care Trust	48,079	41,200
ExcellCare Ltd	432,713	370,800
	<hr/> 721,187	<hr/> 618,000

Sandwell LIFT Project Company (No.1) Limited

Notes to the accounts for the year ended 31 March 2005 (continued)

13 Related party transactions (continued)

Purchase of assets and services from related parties

Related party	Nature	2005 £	2004 £
Wednesbury & West Bromwich PCT	Purchase of Birmingham Rd site	-	515,900
Oldbury & Smethwick PCT	Purchase of Oldbury site	-	765,000
Rowley Regis & Tipton PCT	Purchase of Whiteheath site	179,000	-
ExcellCare Ltd	Development costs	248,671	1,356,084
Partnerships for Health Limited	Development costs	-	190,000
The Governor and Company of the Bank of Scotland	Development costs	-	305,519
ExcellCare Management Services Ltd	Management services	61,694	-

14 Ultimate parent company

Sandwell LIFT Company Limited is the immediate parent undertaking. The ultimate parent undertaking, and the smallest and largest group for which consolidated accounts are prepared, is ExcellCare Limited. The consolidated accounts of ExcellCare Limited can be obtained from Allington House, 150 Victoria Street, London, SW1E 5LB.