

5072627 (England and Wales)

BBH-LSL (FundCo Tranche 1) Limited

Financial Statements

31 March 2007



BBH-LSL (FundCo Tranche 1) Limited

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BBH-LSL (FundCo Tranche 1) Limited

Company Information

Directors	Prof P Brickell Mr K Barton Mr C Lenox-Conyngham Mr A Liddell Mrs S Pierce Mr E M Prinsloo Mr J S Thomson
Secretary	Fulcrum Infrastructure Management Limited
Company Number	5072627 (England and Wales)
Registered Office	North Suite Park Lorne 111 Park Road London NW8 7JL
Auditors	RSM Bentley Jennison Charterhouse Legge Street Birmingham B4 7EU

BBH-LSL (FundCo Tranche 1) Limited

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2007

Principal activity and review of business

The company carries on the business of developing property projects and provides associated services for the NHS Local Improvement Finance Trust ("LIFT") programme in Lambeth, Southwark and Lewisham. The first tranche of schemes reached financial close on 6 December 2005.

Financial results and dividends

The profit and loss account on page 5 shows the results for the year. The directors do not recommend the payment of a dividend for the year to 31 March 2007.

Directors and their interests

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

Prof P Brickell	(appointed 28-09-06)
Mr K Barton	
Mr C Lenox-Conyngham	
Mr A Liddell	
Mr M A Pears	(resigned 14-05-07)
Mrs S Pierce	
Mr E M Prinsloo	
Mr J S Thomson	

Statement of disclosure to auditors

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

(contd)

BBH-LSL (FundCo Tranche 1) Limited

Directors' Report

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 and of the profit or loss of the company for that period. In preparing these 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

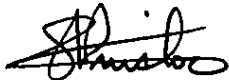
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution will be proposed at the Annual General Meeting to re-appoint RSM Bentley Jennison as auditors

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

By order of the Board



J.S. Thomson EM PRINSLOO
Director

30 JANUARY 2008

BBH-LSL (FundCo Tranche 1) Limited

Independent Auditors' Report

to the shareholder of BBH-LSL (FundCo Tranche 1) Limited

We have audited the financial statements of BBH-LSL (FundCo Tranche 1) Limited for the year ended 31 March 2007 which comprises the Profit and Loss Account, the Balance Sheet and the related notes. 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 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 in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether, in our opinion, the information given in the directors' report is 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

(contd)

BBH-LSL(FundCo Tranche 1) Limited

Independent Auditors' Report

to the shareholder of BBH-LSL (FundCo Tranche 1) Limited

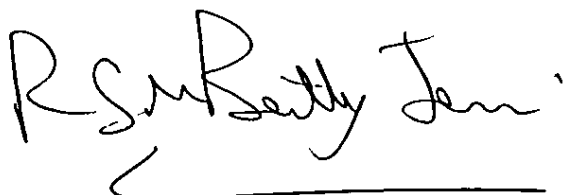
Basis of audit opinion (contd....)

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 information given in the directors' report is consistent with the financial statements,
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its results for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985



RSM Bentley Jennison
Chartered Accountants
Registered Auditors

Charterhouse
Legge Street
Birmingham B4 7EU

30 January 2008

BBH-LSL (FundCo Tranche 1) Limited

**Profit and Loss Account
to 31 March 2007**

	Notes	2007 £	2006 £
Turnover	2	9,500	-
Administrative expenses		(841,448)	(4,108,493)
Operating loss	3	<u>(831,948)</u>	<u>(4,108,493)</u>
Interest receivable and similar income		17,735	12,190
Interest payable and similar charges	4	(115,172)	(15,538)
Loss on ordinary activities before taxation		<u>(929,385)</u>	<u>(4,111,841)</u>
Taxation	5	-	-
Loss for the year		<u><u>£(929,385)</u></u>	<u><u>£(4,111,841)</u></u>

The company has no recognised gains or losses other than the results for the year as set out above

All turnover is derived from continuing operations performed in the United Kingdom. No operations were discontinued during the year.

BBH-LSL(FundCo Tranche 1) Limited

Balance Sheet as at 31 March 2007

	Notes	£	2007 £	£	2006 £
Fixed assets					
Tangible assets	6		24,444,687		7,192,813
Current assets					
Debtors	7	810,940		1,507,046	
Cash at bank		294,136		995,879	
		<u>1,105,076</u>		<u>2,502,925</u>	
Creditors: amounts falling due within one year	8	(2,830,908)		(2,397,295)	
Net current (liabilities)/assets			<u>(1,725,832)</u>		105,630
Creditors: amounts falling due after one year	9		(27,710,071)		(11,360,274)
			<u>£(4,991,216)</u>		<u>£(4,061,831)</u>
Capital and reserves					
Called up share capital	10		50,010		50,010
Profit and loss account	11		(5,041,226)		(4,111,841)
Shareholder's funds - equity	12		<u>£(4,991,216)</u>		<u>£(4,061,831)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Board on 30 June 2007 and signed on its behalf by -



J.S. Thomson EM PRNS LEO
Director

BBH-LSL (FundCo Tranche 1) Limited

Notes to the Financial Statements for the year ended 31 March 2007

1. Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Cashflow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company

1.3 Tangible fixed assets and depreciation

Assets in the course of construction are held at the lower of cost and net realisable value. Net realisable value is ascertained in part by reference to the expected cashflows arising from the property. Costs include interest, fees and duties where they are considered to have enhanced the asset value.

Completed properties are transferred to developed properties at cost and depreciated, to their estimated residual value, on a straight line basis over 25 years. Freehold land is not depreciated. Leasehold land is depreciated over the lease term.

1.4 Finance costs

Finance costs incurred which are directly attributable to the construction of properties are capitalised as part of the cost of those assets. The capitalisation of these costs ceases when properties are complete and operational.

1.5 Rent received in advance

In accordance with UITF 28 'Operating lease incentives', rent received in advance is deferred and amortised over the term of the Lease Plus Agreement.

1.6 Cost recognition

The costs incurred in bidding for contracts are expensed prior to the date when the contract and the recoverability of such costs are virtually certain.

Costs not directly attributable, to bring the asset into working condition for its intended use, are expensed.

BBH-LSL (FundCo Tranche 1) Limited

Notes to the Financial Statements for the year ended 31 March 2007

17 Deferred taxation

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet 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 or expenditure in tax computations in periods different from those in which they are included in the financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

2 Turnover

Turnover is based on amounts receivable for services net of value added tax.

3	Operating loss	2007 £	2006 £
	Operating loss is stated after charging -		
	Depreciation	-	-

The audit fee is payable by Building Better Health - Lambeth Southwark Lewisham Limited, a group company.

4	Interest payable and similar charges	2007 £	2006 £
	Bank loans	1,017,084	189,030
	Loan note & Deferred finance acquisition costs	115,172	29,865
	Interest capitalised within fixed assets	(1,017,084)	(203,357)
	Interest payable charged to profit and loss account	£115,172	£15,538

5.	Taxation	2007 £	2006 £
	UK Corporation tax - current tax charge	-	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(929,385)	(4,111,841)
	Corporation tax at standard rate of 30% (2006 - 30%)	(278,816)	(1,233,552)
	Effect of -		
	Losses carried forward	1,877,832	1,233,552
	Capitalised Interest	(305,125)	-
	Capital allowances	(1,293,891)	-
	Current tax charge	-	-

BBH-LSL (FundCo Tranche 1) Limited

Notes to the Financial Statements for the year ended 31 March 2007

6.	Tangible fixed assets	Properties in the course of construction
	Cost	
	At 1 April 2006	7,192,813
	Additions	17,251,874
	Transfers	-
	At 31 March 2007	<u>£24,444,687</u>
	Accumulated depreciation	
	At 1 April 2006	-
	Depreciation	-
	At 31 March 2007	<u>-</u>
	Net book value	
	At 31 March 2007	<u>£24,444,687</u>
	At 31 March 2006	<u>£7,192,813</u>

Included in the gross book value of tangible fixed assets above is £1,220,440 (2006 - £203,357) of capitalised interest

7.	Debtors	2007	2006
		£	£
	Prepayments	166,336	259,970
	VAT	633,441	-
	Amounts due to group undertakings	11,163	-
	Other debtors	-	1,247,076
		<u>£810,940</u>	<u>£1,507,046</u>

8.	Creditors: amounts falling due within one year		
	Trade creditors	28,957	53,655
	Accruals	2,801,951	1,409,838
	Amounts due to group undertakings	-	933,802
		<u>£2,830,908</u>	<u>£2,397,295</u>

BBH-LSL (FundCo Tranche 1) Limited

Notes to the Financial Statements for the year ended 31 March 2007

9. Creditors: amounts falling due after one year	2007 £	2006 £
Other creditors	-	79,815
Bank loans	26,322,535	9,908,460
Deferred finance acquisition costs	(388,464)	(404,001)
£1,776,000 Series B1 Fixed Rate 11 14% p a unsecured loan notes, repayable in 2033	1,776,000	1,776,000
	<u><u>£27,710,071</u></u>	<u><u>£11,360,274</u></u>

The above loan notes were issued in their entirety to its parent company, Building Better Health - Lambeth Southwark Lewisham Limited

Note -

The bank loans bear interest at LIBOR plus a margin, and are secured by various fixed and floating charges over the company's assets

Loan maturity analysis

Due between 1 and 2 years (not by instalments)	2,664,000	-
Due between 1 and 2 years (by instalments)	1,033,000	-
Due between 2 and 5 years (not by instalments)	-	2,664,000
Due between 2 and 5 years (by instalments)	1,094,000	1,688,420
Due in over 5 years (by instalments)	21,531,535	5,556,040
	<u><u>£26,322,535</u></u>	<u><u>£9,908,460</u></u>

10. Share capital

Authorised, allotted, called up and fully paid		
50,010 ordinary shares of £1 each	<u><u>£50,010</u></u>	<u><u>£50,010</u></u>

11. Reserves

Profit and loss account

At 1 April	(4,111,841)	-
Loss for the year	(929,385)	(4,111,841)
At 31 March	<u><u>(5,041,226)</u></u>	<u><u>£(4,111,841)</u></u>

BBH-LSL (FundCo Tranche 1) Limited

Notes to the Financial Statements for the year ended 31 March 2007

12	Reconciliation of movements in shareholder's funds	2007 £	2006 £
	Loss for the year	(929,385)	(4,111,841)
	Proceeds from the issue of ordinary shares	<u>-</u>	<u>50,009</u>
	Movement in shareholder's funds	(929,385)	(4,061,832)
	Opening shareholder's funds	(4,061,831)	1
	Closing shareholder's funds	<u><u>£(4,991,216)</u></u>	<u><u>£(4,061,831)</u></u>

13 Ultimate parent undertaking

The company is a 100% subsidiary of BBH-LSL (FundCo HoldCo Tranche 1) Limited, a company incorporated in England and Wales

At the year end the company was ultimately 60% owned by Building Better Health LIFT Partnership, an English partnership between Remin Limited, a company incorporated in England and Wales and Building Better Health Holdings Limited, a company incorporated in Jersey

14. Related party transactions

During the year under review, the company entered into the following arms length transactions with group undertakings -

	Fees receivable	Fees payable	Balance outstanding at 31 March 2007
Building Better Health - Lambeth Southwark Lewisham Ltd, an intermediate parent company	<u>£9,500</u>	<u>£412,839</u>	<u>-</u>
Building Better Health Limited, an associate	<u>-</u>	<u>-</u>	<u>£11,163</u>

15 Going concern

At the balance sheet date the company had net liabilities of £4,991,216 (2006 - £4,061,831) The projects being undertaken by the company are secured under long term finance and the directors are satisfied that the company will continue to operate within the agreed facilities and have therefore prepared the financial statements on a going concern basis

16 Capital commitments

At the balance sheet date the company was committed to capital expenditure of £9,404,153 which is not provided for in these accounts

17. Contingent liability

The company has granted various fixed and floating charges over its shares and assets as security over loans in the group, totalling £677,142 (2006 - £637,055)

18 Post balance sheet date event

On 14 May 2007 the partners in the BBH LIFT Partnership were sold to Fulcrum Infrastructure Group Limited