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This document, which comprises an admission document for the purposes of the AIM Rules, has been drawn up in accordance therewith. This document does not contain an offer of transferable securities to the public within the meaning of section 102B of FSMA and does not require a prospectus within the meaning of section 85 of FSMA and is not a prospectus as defined in the AIM Rules.

The Directors and the Proposed Directors, whose names are set out on page 8 of this document, accept individual and collective responsibility for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the whole of the ordinary share capital of CareCapital Group Plc in issue and to be issued pursuant to the Placing to be admitted to trading on AIM. It is expected that admission to AIM will become effective and that dealing in the Existing Ordinary Shares and the Placing Shares will commence at 8.00 a.m. on 4 August 2006. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange plc nor the UK Listing Authority have examined or approved the contents of this document.

The AIM Rules are less demanding than those of the Official List of the UK Listing Authority and it is emphasised that no application is being made for admission of the Existing Ordinary Shares or the Placing Shares to the Official List. Prospective investors should read the whole text of this document and should be aware that investment in the Company is speculative and involves a degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" set out in Part II of this document. All statements regarding the Company's business should be viewed in the light of these risk factors.

CareCapital Group Plc

(Incorporated and registered in England and Wales with registered number 5564418)

Placing of 5,000,000 new Ordinary Shares and
19,996,659 Existing Ordinary Shares of 1 pence each at 30p per share and
Admission to AIM

Nominated Adviser and Broker
Daniel Stewart & Company Plc



SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£5,000,000	500,000,000	Ordinary Shares of 1p each	£767,540.96	76,754,096

The Sale Shares and the Placing Shares will on Admission rank in full for all dividends or other distributions thereafter declared, made or paid on the Ordinary Shares and will rank *pari passu* in all respects with the Ordinary Shares in issue on completion of the Placing, the Vendor Placing and Admission.

Daniel Stewart & Company Plc ("Daniel Stewart"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, has been appointed as the Company's nominated adviser and broker for the purposes of the AIM Rules. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director, Proposed Director or to any other person. Daniel Stewart has not authorised the contents of any part of this document for the purpose of Section 21 of FSMA and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Daniel Stewart for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company, the Directors and the Proposed Directors are solely responsible.

Daniel Stewart is acting exclusively for the Company and no one else in connection with the Placing and Admission, and for Asgard in connection with the Vendor Placing. Daniel Stewart will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Daniel Stewart nor for providing advice in relation to transactions and arrangements detailed in this document. Daniel Stewart is not making any representation or warranty, express or implied, as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

The Existing Ordinary Shares and the Placing Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland. Subject to certain exceptions, the Existing Ordinary Shares and the Placing Shares may not be offered or sold, directly or indirectly, in or into the United States, Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy any Existing Ordinary Shares or Placing Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London EC2R 8DD from the date of this document and for a period of one month from Admission.

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DEFINITIONS AND GLOSSARY OF TERMS

The following definitions apply throughout this document, unless the context requires otherwise:

“the Act”	the Companies Act 1985 as amended;
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with the AIM Rules;
“AIM”	the AIM market operated by the London Stock Exchange;
“AIM Rules”	the rules of the London Stock Exchange governing admission to and the operation of companies whose shares are admitted to AIM;
“Articles”	the Articles of Association of the Company;
“Asgard”	Asgard Real Estate Private Equity S.à.r.l., a société à responsabilité limitée managed by AXA REIM and incorporated in Luxembourg;
“AXA REIM”	AXA Real Estate Investment Managers Limited, a company incorporated in England and Wales under company number 03961977;
“BMA”	the British Medical Association;
“Board” or “Directors”	the directors of the Company whose names are set out on page 8 of this document;
“CareCapital Limited” or “CCL”	CareCapital Limited, a subsidiary of the Company, being a private company incorporated in England and Wales with registered number 05172369;
“CareCatalyst”	The CareCatalyst Limited, a subsidiary of the Company, being a private company incorporated in England and Wales with registered number 04210980;
“Company” or “CareCapital”	CareCapital Group Plc;
“Code”	the Takeover Code;
“CREST”	the computerised settlement system to facilitate the transfer of title to or interests in securities in uncertificated form, operated by CRESTCo Limited;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);
“Colliers Cre”	Colliers Cre, an independent commercial real estate consultant;
“Daniel Stewart” or “nominated adviser and broker”	Daniel Stewart & Company Plc, nominated adviser and broker to the Company;
“Daniel Stewart Option”	the option agreement dated 31 July 2006 between the Company (1) and Daniel Stewart (2) pursuant to which, conditional on Admission, Daniel Stewart has been granted an option to subscribe for 767,540 new Ordinary Shares, further details of which are set out in paragraph 8 of Part VII of this document;

“Department of Health”	the Department of Health, which is responsible for government policy on health and social care and is directly responsible for the NHS in England (through SHAs);
“EU”	the European Union;
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company at Admission, being the Existing Ordinary Shares and the Placing Shares;
“Existing Ordinary Shares”	the 71,754,096 Ordinary Shares in issue at the date of this document;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time, including any regulations made pursuant thereto;
“GPs” or “General Practitioners”	general practitioners, being physicians who provide primary care;
“Group”	the Company and its Subsidiaries;
“Healthcare”	Primary Healthcare, Secondary Healthcare and other healthcare services;
“Healthcare Facilities”	Healthcare Property and the provision of related services to Healthcare Providers;
“Healthcare Property”	means such properties in the United Kingdom where the majority of space is occupied by Healthcare Providers;
“Healthcare Providers”	providers of Primary Healthcare, Secondary Healthcare and other healthcare services;
“Healthcare Sector”	comprises the NHS and the private medical sector;
“Henry Lafferty Lock-in Agreement”	the conditional agreement dated 31 July 2006 between Henry Lafferty (1) the Company (2) and Daniel Stewart (3), details of which are set out in paragraph 8 of Part VII of this document;
“Intermediate Care Facilities”	community based facilities operated by Primary Healthcare Providers;
“ISTC” or “Independent Sector Treatment Centres”	independent sector treatment centres;
“LIFT” or “Local Improvement Finance Trust”	a local improvement finance trust, being a vehicle for improving and developing frontline primary and community care facilities;
“London Stock Exchange”	London Stock Exchange plc;
“NHS”	National Health Service;
“NHS Trusts”	trusts which operate within the Healthcare Sector and provide many of the healthcare services required of the NHS in England and Wales;
“Official list”	the official list of the UKLA;
“Option Replacement Deeds”	the various deeds dated 31 July 2006 made between certain employees of CareCapital Limited (1) and the Company (2) whereby all of the existing options to subscribe for an aggregate

of 630,000 new ordinary shares in the share capital of CareCapital Limited, at a subscription price of £1 per share, were surrendered in exchange for the grant, on a pro rata basis, of new options to subscribe for an aggregate of 4,271,436 new Ordinary Shares in the Company at a subscription price of 15 pence per share, further details of which are set out in paragraph 10 of Part VII of this document;

“Ordinary Shares”	the ordinary shares of 1 pence each in the capital of the Company;
“Panel”	the Panel on Takeovers and Mergers;
“PFI” or “Private Finance Initiative”	private finance initiatives, which provide a way of funding major capital investments;
“PFP”	PatientFirst Partnerships Limited, a subsidiary of the Company, which is a private company incorporated within England and Wales with registered number 04316249;
“Placing”	the conditional placing by Daniel Stewart of the Placing Shares, acting as agent for the Company, pursuant to the Placing Agreement;
“Placing Agreement”	the placing agreement dated 31 July 2006 and made between (1) the Company (2) the Directors (3) the Proposed Directors (4) SMT and (5) Daniel Stewart further details of which are set out in paragraph 8 of Part VII of this document;
“Placing Price”	30p per Placing Share and Sale Share;
“Placing Shares”	5,000,000 new Ordinary Shares which are the subject of the Placing;
“Primary Care Facilities”	facilities providing Primary Healthcare;
“Primary Healthcare” or “Primary Healthcare Sector”	healthcare services provided to patients outside of hospitals by GPs, dentists, pharmacists, opticians and professional providers of ancillary medicine;
“Primary Healthcare Property”	means such properties in the United Kingdom where the majority of space is occupied by Primary Healthcare Providers and “Primary Healthcare Properties” shall be construed accordingly;
“Primary Healthcare Trusts” or “PCTs” or “Primary Healthcare Providers”	organisations operating within the NHS which are responsible for delivering Primary Healthcare;
“Proposed Directors”	the proposed directors of the Company, namely Lord Evans of Watford and Keith Gibbs who will be appointed on Admission;
“QCA Guidelines”	the corporate governance guidelines for AIM companies, devised by the Quoted Companies Alliance and published in July 2005;
“Sale Shares”	the 19,996,659 Existing Ordinary Shares, which have been conditionally placed by Daniel Stewart acting as agent for Asgard pursuant to the Vendor Placing Agreement;
“Secondary Healthcare”	Healthcare services provided to patients from hospitals;

“Share Exchange Agreement”	the share exchange agreement dated 31 July 2006 between SMT (1) Asgard (2) Henry Lafferty (3) and the Company (4) whereby the Company acquired the entire issued share capital of CareCapital Limited;
“Shareholder”	a holder of Ordinary Shares;
“SMP”	Sinclair Montrose Properties Limited, a subsidiary of the Group, being a private company incorporated in England and Wales with registered number 02970770;
“SMT”	Sinclair Montrose Trust Limited, a private company incorporated in England and Wales with registered number 01446648;
“SPV” or “Special Purpose Vehicle”	a company whose operations are limited to the acquisition and financing of specific assets;
“Strategic Health Authorities” or “SHAs”	strategic health authorities, which are responsible for enacting the directives and implementing fiscal policy as dictated by the Department of Health;
“Subsidiary”	a subsidiary of the Company as defined in Section 736 of the Act (and “Subsidiaries” shall be construed accordingly);
“SUHT”	Southampton University Hospitals NHS Trust;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	United Kingdom Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VII of the FSMA;
“US” or “USA” or “United States”	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction;
“Unapproved Scheme”	the unapproved share option scheme of the Company, a summary of which is set out in paragraph 10 of Part VII of this document;
“Valhalla”	Valhalla Real Estate private equity S.à.r.l., a company registered in Luxembourg, which is a subsidiary of Asgard;
“Vendor Placing”	the conditional placing by Daniel Stewart acting as agent for Asgard of the Sale Shares pursuant to the Vendor Placing Agreement;
“Vendor Placing Agreement”	the vendor placing agreement dated 31 July 2006 and made between Asgard (1), Daniel Stewart (2) and the Company (3), further details of which are set out in paragraph 8 of Part VII of this document.

PLACING, VENDOR PLACING AND ADMISSION STATISTICS

Number of Existing Ordinary Shares	71,754,096
Placing Price	30p
Number of Placing Shares to be issued pursuant to the Placing	5,000,000
Number of Sale Shares to be sold pursuant to the Vendor Placings	19,996,659
Gross proceeds of the Placing to be received by the Company	£1.5 million
Estimated net proceeds of the Placing to be received by the Company (exclusive of VAT)	£0.89 million
Placing Shares as a percentage of the Enlarged Issued Share Capital	6.51%
Sale Shares as a percentage of the Enlarged Issued Share Capital	26.05%
Total number of Ordinary Shares at Admission	76,754,096
Market capitalisation on Admission at the Placing Price	£23.03 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2006
Publication of this document	31 July
Admission and dealings expected to commence on AIM in the Enlarged Issued Share Capital	4 August
CREST accounts to be credited in respect of the Sale Shares and the Placing Shares	4 August
Despatch of definitive share certificates in respect of the Sale Shares and the Placing Shares	10 August

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors:	Dr. Michael Sinclair (<i>Chairman</i>) Paul Stacey (<i>Managing Director</i>) Stephen Wilden FCA (<i>Finance Director</i>)
Proposed Directors:	Lord Evans of Watford (<i>Non-Executive Director</i>) Keith Gibbs (<i>Non-Executive Director</i>)
Company Secretary:	Stephen Wilden FCA
Registered Office:	4th Floor 9 Mandeville Place London, W1U 3AT
Nominated Adviser & Broker:	Daniel Stewart & Company Plc Becket House 36 Old Jewry London, EC2R 8DD
Auditors and reporting accountants:	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
Solicitors to the Company:	Finers Stephens Innocent LLP 179 Great Portland Street London, W1W 5LS
Solicitors to Daniel Stewart:	Memery Crystal LLP 44 Southampton Buildings London, WC2A 1AP
Public Relations:	Tavistock Communications 131 Finsbury Pavement London, EC2A 1NT
Registrars:	Capita Registrars plc The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU

PART I

INFORMATION ON THE GROUP

1. Introduction

The Group develops and leases property to the Healthcare Sector thus generating income and capital growth.

The Company is seeking admission to AIM of the Enlarged Issued Share Capital principally to provide an opportunity for Asgard to realise 46.53 per cent. of its investment and to raise finance, to be used together with the Group's existing cash resources, in order to repay a loan owed to Valhalla of approximately €4.28 million (approximately £2.938 million). In addition, Admission should help to facilitate future capital fund raisings to finance growth as the Group seeks to increase the size of its Healthcare Property portfolio and will also raise the public profile of the Company.

This document, which constitutes an admission document drawn up in accordance with the AIM Rules, sets out the background to the Group and the reasons for the Vendor Placing, the Placing and Admission.

2. Background information on the Group

History

The Group is focused upon the development and subsequent letting of:

- Medical centres incorporating health promotion units;
- Dental surgeries;
- Patient hotels; and
- Pharmacies.

The Group is intending, and is actively seeking opportunities, to develop and subsequently let;

- Intermediate Care Facilities; and
- ISTCs.

The Group's activities have been financed through a combination of debt and equity provided principally by Asgard, Valhalla and commercial banks. In 2004, Asgard and Valhalla invested £7.5 million and £2.5 million respectively, at which time CCL was established. On 31 July 2006, in anticipation of Admission, a reorganisation of the Group was undertaken whereby the Company acquired the entire issued share capital of CareCapital Limited pursuant to the terms of the Share Exchange Agreement.

On 30 June 2006, the Group's property portfolio was independently valued by Colliers Cre as having gross assets of £21.77 million (after deducting buyers' costs). As of 1 June 2006, the Group's Healthcare Property portfolio consisted of 21 properties, comprising 13 medical centres and doctors' surgeries, 5 pharmacies, a dental surgery, a patient hotel and a health promotion unit. The Group's Healthcare Property portfolio has a national presence with properties located across the UK. In addition, the Group also owns the freehold to another dental surgery, for which the tenant, who benefits from a long lease, pays a peppercorn rent. This unit has been excluded from the valuation in Part V as the Directors and the Proposed Directors consider that the freehold carries an immaterial economic value.

Acquisition, Development and Management

Typically, the Group acquires land, and builds or develops a Healthcare Property, which is subsequently leased to Healthcare Providers. The investment objective of CareCapital is to achieve income and capital growth through granting long-term leases to Healthcare Providers whilst retaining the freehold where possible. In general, a lessee of the Group's properties is required to maintain the condition of the property.

As part of the process of developing Healthcare Property, the Group bids for contracts awarded by the NHS. The Group has established relationships with construction companies, facilities management providers, healthcare planners and designers, suppliers of clinical services and staff recruitment agencies all of which are able to provide specific expertise to fulfil obligations arising from successful bids.

The Group's employees possess the required sector and financing expertise, enabling CareCapital to offer a comprehensive property service or 'one-stop shop' to Healthcare Providers.

Strengths

The Directors and Proposed Directors believe that the Group has the following key strengths;

- Supportive macro environment with the opportunity to benefit from NHS plans to increase the number and quality of Healthcare Facilities in the future;
- Established base of Healthcare Properties, which are underpinned by strong covenants;
- Established relationships with recognised financial, clinical and construction companies, which assist the Group in bidding for projects;
- Strong development pipeline; and
- Experienced management team with a strong track record of managing Healthcare Property.

Barriers to entry

The Directors and the Proposed Directors believe that key barriers to entry for companies seeking to establish themselves within the Healthcare Property sector include:

- Required knowledge and track record of, the bidding process;
- Established relationships with PCT's, Healthcare Providers, contractors and lenders; and
- High level of expertise and experience of designing and developing Healthcare Properties.

3. Group's Activities

The Group currently owns or is in the process of developing properties which operate or will operate as medical centres, dental centres, pharmacies or patient hotels. The Group has also tendered for the development of a number of Intermediate Care Facilities and is in the process of bidding to develop ISTCs. Further details of all of these activities are set out below:

(a) *Medical Centres:*

Together with its sub contractors, the Group structures and finances the design, development and delivery of Primary Healthcare Facilities to Primary Healthcare Providers. Examples from the Group's property portfolio include:

- Restalrig Park Medical Centre, Edinburgh – completed in 2000 – accommodating 7 GPs;
- Severnbank Surgery in Lydney, Gloucestershire – completed in 2002 – accommodating 4 GPs;
- Clifton Court Medical Centre, Clifton, Darlington – completed in 2002 – accommodating 6 GPs and a pharmacy; and
- Consett Medical Centre, Consett, Durham – completed in 2004 – accommodating 9 GPs and facilities to provide minor operations, physiotherapy, pharmacy, health promotion, training and community services,

Some of the Group's properties are designed to be flexible in order to accommodate future changes in the needs of Primary Healthcare Providers.

(b) *Dental Centres:*

As of June 2006, the Group owned one dental centre. CareCapital is also in the process of developing a dental centre in Folkestone, which is due to be completed in 2007. This dental centre will be approximately 12,500 square feet in size and is being developed for a team of dentists, who will serve both private and NHS patients. This centre will be able to accommodate a total clinical staff of up to 15 at any one time, which may accommodate dentists, hygienists and orthodontists. In addition, there will also be teaching facilities and a dental lab within the property. The Group expects to spend approximately £514,000 on capital expenditure on this dental centre during 2006 and approximately a further £3 million in 2007.

(c) *Patient Hotel:*

The Group operates a patient hotel, located in Southampton, (“the Southampton Hotel”), which can accommodate up to 29 oncology patients who are outpatients of the Southampton General Hospital and the Royal South Hants Hospital. Patients are referred to the Southampton Hotel from SUHT under a contract which began in June 2003. The patients stay at the Southampton Hotel as an alternative to either staying in hospital or having to commute from their homes.

In May 2006, the Group received notification from SUHT of its intention to terminate the Southampton Hotel contract from November 2006 and to subsequently place a new contract out for tender to interested parties. The Group has since been invited by SUHT to submit a bid for a new contract, which it plans to do. Should this submission be unsuccessful, it is the intention of the Group to consider alternative uses for the Southampton Hotel following discussions with other Healthcare Providers.

Further details of the Group’s properties are set out in Part V of this document.

(d) *Intermediate Care Facilities:*

Under PFI or other procurement processes, it is the intention of the Group to bid for the development of Intermediate Care Facilities.

(e) *Independent Sector Treatment Centres:*

In consortia with other organisations, the Group is bidding for contracts being tendered as part of the Department of Health’s ISTC electives procurement programme. The intention of the programme is to develop new, independent, purpose built treatment units with the objective of offering greater patient choice. As of June 2006, the Group had been shortlisted for 3 ISTC projects, which are to be developed under the PFI procurement process.

4. Sourcing contracts

The majority of the Group’s medical and dental centre development opportunities are sourced either via recommendation, referral or through its marketing programme. The Group also reviews and responds, where appropriate, to invitations to tender for developments which have been advertised by Primary Health Care Trusts. The Group is currently in the bidding process in respect of a number of these proposed developments and has a pipeline of 22 possible development opportunities.

Contracts to develop medical centres, whether negotiated directly with the lessee or procured through a competitive tendering process can, in the experience of the Directors, take in excess of three years to formalise.

Larger projects are advertised by the Department of Health and NHS Trusts in the Official Journal of the European Union and usually fall under the umbrella of PFI or other similar procurement processes. PFI is a mechanism for providing the funding required to finance major capital investments needed to develop Healthcare Properties within the Healthcare Sector. As an alternative, where PFI is considered to be inappropriate other procurement processes may be used. Such projects typically have a contract term of approximately 25-30 years.

Working with selected bidding partners and utilising the Group’s network of contractors, CareCapital is in the process of submitting a number of bids under PFI or other similar procurement processes. As of June 2006, the Group had been shortlisted on four of these bids. This bidding process is frequently extensive and can, in the Directors’ experience, take in excess of three years to formalise.

In addition, the Group has also submitted a proposal to the NHS for the development and funding of 4 major regional facilities.

5. The Healthcare Sector

Background

The NHS has a statutory obligation to provide Primary Healthcare to every resident in the UK. Some 90 per cent. of all treatments or appointments are conducted through Primary Care Facilities and the demand for Primary Healthcare in the UK is growing as a result of the changing demographics of the UK’s ageing population.

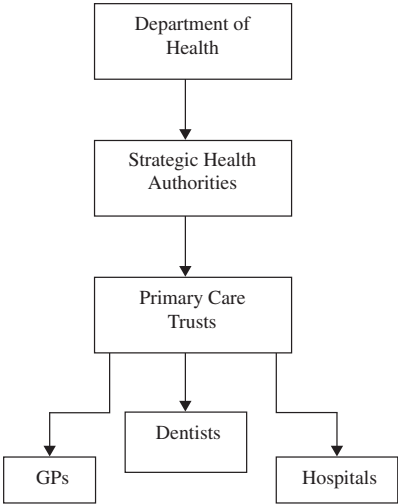


Figure 1: Structure of the NHS

Figure 1 has been produced by the Directors to outline a high level and simplified structure of the NHS. The Department of Health is responsible for overseeing NHS policy within the United Kingdom. Underneath the Department of Health are regional organisations known as Strategic Health Authorities. Following the creation of Primary Healthcare Trusts (“PCTs”) in 2002, decision-making has become more localised.

PCTs are separate legal entities whose role is to provide or purchase (together with GPs and Strategic Health Authorities) the majority of healthcare needs for their communities and, in particular, Primary Healthcare services through contracts with GPs.

Recent statistics provided by the Department of Health and the BMA show that Primary Healthcare services are provided by approximately 36,000 GPs in 11,000 surgeries across the UK. According to the Department of Health’s White Paper “Our Health, Our Care, Our Say” published in 2006 there are 79,000 more nurses and 27,000 more doctors than there were in 1997, with more in training, which indicates the growth in the provision of Primary Healthcare. Research has also shown that approximately a further 10,000 family doctors will be required in the future to cope with demand. The Directors and the Proposed Directors consider that this will lead to an increase in demand for Primary Healthcare Properties.

Statistics released by the Department of Health in 2000 indicate that one third of buildings used by the NHS today were built before the NHS was created. As of 2000, the backlog of building maintenance stood at an estimated £3.1 billion.

Traditionally, the premises from which GPs provide Primary Health Care are owned or leased by themselves. A survey conducted by the BMA in May 2006 with over 250 respondents highlighted that 60 per cent. of

respondents considered that their premises were unsuitable for current needs whilst 75 per cent. of the GPs considered that their premises were not suitable for future needs. In addition, obtaining funding by GP's to finance the purchase of premises has become increasingly difficult due to the limited amount of finance available outside areas of high priority. The survey concluded that GPs demonstrated a willingness to improve and extend the services provided to patients although this was being hampered by a lack of available facilities.

The NHS Plan 2000

The NHS Plan 2000 set out the Government's target to replace or refurbish 3,000 Primary Healthcare Properties by 2004. The NHS has also reconfirmed a commitment to building and refurbishing at least 50 community hospitals as part of plans to move the provision of Primary Healthcare closer to residential areas. Targets were set to clear the backlog of maintenance work and to undertake investment required on Primary Healthcare Properties supported by budget increases within the Department of Health averaging at an annual 7.2 per cent. increase above inflation to 2007/8.

The Government has outlined plans for other developments scheduled to be implemented by 2010, including £7 billion of new investment through PFI deals, and a new generation of diagnostic and treatment centres to increase the number of elective operations which can be undertaken in a single day or a short hospital stay.

A new public/private partnership initiative named NHS LIFT has also been established to make use of a limited amount of initial public funding with the intention of attracting private sector funding for the development of Primary Healthcare Properties.

The White Paper

The Department of Health's White Paper "Our Health, our Care, our Say" published in 2006 follows on from the NHS Plan 2000 and has declared the intention of allocating five per cent. of financial resources from Secondary Healthcare to Primary Healthcare over the next ten years. The Directors and the Proposed Directors believe that given current capacity constraints within existing Primary Healthcare Properties, this reallocation of financial resources is likely to require significant new investment of which the private sector will play a pivotal role.

In particular, this White Paper highlighted the need for 'one stop super-surgeries', which are purpose-built centres accommodating a range of healthcare professionals (e.g. nurses, pharmacists, dentists, opticians, physiotherapists) and social carers (e.g. counsellors, therapists) to offer patients a 'one stop shop' of Primary Healthcare services (including diagnostics, minor surgery and management of long-term conditions such as diabetes and asthma) traditionally only available in hospitals.

In line with the renewed emphasis upon the delivery of Primary Healthcare, the Government plans to have 625 new super-surgeries by the end of 2006.

6. Strategy

The Group is primarily focused on the development of new and the upgrading of existing Healthcare Facilities, which are subsequently leased to Healthcare Providers to generate income. Together with contractors, the Group is bidding for the development of a number of ISTC's with the objective of providing Healthcare Facilities. The Group is also bidding for other projects under PFI or similar procurement processes and is also promoting an initiative to introduce private finance and development services to Healthcare related projects being procured under an overall Department of Health sponsored process.

Wherever possible, the Group's properties are designed to accommodate expansion in service provision and facilities. The Group also intends to provide, when appropriate, an ownership structure which enables GP's or dentists to retain a minority equity stake in the property.

The Group retains the Healthcare Facilities it has developed and therefore considers the quality of its relationship with the tenant to be of primary importance both in terms of maximising the value of the underlying asset and also in respect of new development opportunities that arise following referrals.

The Group expects to benefit from plans publicised by the NHS to modernise Healthcare Facilities.

7. Competition

Competitors in the Healthcare Sector include Primary Medical Properties Limited (now Apollo Medical Partners Limited), General Practice Investment Corporation Limited, The Medical Property Investment Fund Limited and Primary Healthcare Properties Plc. There are a significant number of operators in this market who each possess a relatively small market share.

The Group's competitors can be divided into three broad categories:

- Property developers, who develop and finance medical centres that are subsequently sold on to investors;
- Property investors, who build large portfolios of passive holdings; and
- Operators, who both develop and invest in completed medical buildings.

8. Current trading and prospects

The Group is currently trading in line with management expectations. The Group is involved in bidding for or negotiating a significant number of Healthcare Property development projects, a number of which the Directors and Proposed Directors believe are likely to prove successful.

9. Details of the Vendor Placing, the Placing and use of the Placing proceeds

Daniel Stewart has, pursuant to the Vendor Placing Agreement conditionally placed 19,996,659 Sale Shares on behalf of Asgard in order to raise approximately £6 million before expenses with institutional and other investors. Further details of the Vendor Placing Agreement are set out in paragraph 8 of Part VII of this document.

Under the terms of the Placing Agreement, the Company is proposing to raise £1.5 million at the Placing Price per share (£0.89 million net of expenses excluding VAT). Daniel Stewart has conditionally placed 5,000,000 Placing Shares with institutional and other investors. The net proceeds of the Placing will be used, together with the Group's existing resources, to repay a loan to Valhalla, which at the date of this document, amounted to approximately €4.28 million (approximately £2.938 million).

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. Dealings in the Placing Shares and the Existing Ordinary Shares on AIM are expected to commence on 4 August 2006. It is expected that CREST accounts will be credited on the day of Admission and that (where appropriate) share certificates will be dispatched by first class post by 10 August 2006.

The Placing and the Vendor Placing are conditional, *inter alia*, upon the Placing Agreement and the Vendor Placing Agreement becoming unconditional and on Admission. Neither the Placing nor the Vendor Placing has been underwritten. Further details of the Placing Agreement and the Vendor Placing Agreement are set out in paragraph 8 of Part VII of this document.

10. Employee Option Schemes and Options

The Directors believe that the Company's success is highly dependent on the quality of its employees. To assist in the recruitment, retention and motivation of employees, an important part of the future remuneration strategy has been and will continue to be the ability to award equity incentives and in particular share options to employees.

At the date of the Share Exchange Agreement, there were options to subscribe for 630,000 new ordinary shares in the capital of CareCapital Limited, at a subscription price of £1 per share, which had been granted to employees of CareCapital Limited and its subsidiaries pursuant to the terms of an unapproved share option scheme, which had been adopted by CareCapital Limited. On 31 July 2006 these option holders entered into the Option Replacement Deeds whereby all of the option to subscribe for new Ordinary Shares in the capital of CareCapital Limited were surrendered in exchange for the grant of options to subscribe for an aggregate

of 4,271,436 new Ordinary Shares in the capital of the Company at a subscription price of 15 pence per share, exercisable from December 2007 subject to the achievement of certain specified performance criteria. Further details regarding the terms of the Option Replacement Deeds are set out in paragraph 10 of Part VII of this document. No further options will be granted under the share option scheme adopted by CareCapital Limited.

The Directors have adopted the Unapproved Share Option Scheme pursuant to which options may be granted to directors and employees of the Group, at a subscription price to be determined by the Directors which will not be less than the nominal value per Ordinary Share, over an aggregate maximum of 10 per cent. of the Company's issued share capital from time to time.

Under the terms of the Daniel Stewart Option, Daniel Stewart has been granted, conditional on Admission, the right to subscribe up to 767,540 new Ordinary Shares, being 1 per cent. of the Enlarged Issued Share Capital at the Placing Price per share. The Daniel Stewart Option is exercisable in whole or in part at any time on or before the fifth anniversary of Admission. Further details regarding the Daniel Stewart Option are set out in paragraph 8 of Part VII of this document.

11. Reasons for Admission

Admission will enable Asgard to realise part of their investment in the Group and will also enable the Group to raise funds to reduce its indebtedness.

The Directors and the Proposed Directors believe that the Group has reached an appropriate point in its development to seek Admission, which will provide the following benefits:

- It will help to facilitate the process of capital fund raising in order to finance future growth;
- It is expected to raise the profile of the Group within the Healthcare Sector which may increase its credibility both with regards to bids already submitted and bids to be submitted in the future; and
- It will enable the Group to issue publicly traded shares as consideration for the acquisition of target companies and assets should any opportunities arise.

12. Directors, Proposed Directors and key individuals

Directors

Dr. Michael Sinclair – Executive Chairman (aged 63)

Dr. Sinclair qualified in medicine from the Middlesex Hospital, London in 1967 and has held a number of appointments at teaching hospitals in London. He became a Registrar in Psychiatry at the Maudsley Hospital and Institute of Psychiatry of London University before entering business in 1971. Between 1971 and 1977 he held senior board positions with Allied Investments Limited, which have operating interests in nursing homes through Nestor Nursing Homes, nursing agencies through the British Nursing Association, deputising services for doctors, medical equipment distribution and the operation of a health spa. In 1979, he founded Sinclair Montrose Trust Limited as a private investment vehicle for him and his family. Dr Sinclair was chairman of Lifetime Corporation Inc, a New York Stock Exchange listed healthcare company. He serves on the Board of Overseers of the Tufts University School of Medicine. He was also a chairman of US based Atlantic Medical Management LLP, which managed the New York based healthcare venture fund, Atlantic Medical Capital LP. He is also the Chairman of two AIM traded companies YooMedia Plc and Totally Plc.

Paul Stacey FCIS – Managing Director (aged 57)

Paul Stacey qualified as a Chartered Secretary in 1971 and was admitted as a Fellow of the Institute of Chartered Secretaries in 1980. Following management training with the Acrow Group Limited, he joined Nuffield Hospitals, where he worked for almost twenty years, initially as deputy secretary and latterly as Executive Director of Nuffield Healthcare Limited. Paul Stacey joined Sinclair Montrose Trust Limited in 1992 and is now Managing Director in addition to being a director of a number of its subsidiary and associated companies. Since joining Sinclair Montrose Trust Limited he has been a director of its primary

healthcare development businesses and was instrumental in the establishment of walk-in GP centres in the UK. Paul Stacey became Managing Director of CareCapital Limited in August 2004.

Stephen Wilden FCA – Finance Director and Company Secretary (aged 53)

Stephen (“Steve”) Wilden qualified as a chartered accountant with Josolyne Layton Bennett & Co in 1975 and gained industrial experience with TI Group Plc and Rockwell International Plc before joining Courtaulds Plc in 1982. He held senior positions in a number of businesses and sectors, in the UK, USA and Italy. From 1997, he was Group Finance Director of Sinclair Montrose Healthcare Plc (“SMH”), which was admitted to AIM in 1998 before being taken private in 1999. Steve Wilden left SMH in 2000 to jointly set up and become Chief Executive Officer of Staffing Ventures Plc, now renamed Supporta Plc. He joined CareCapital Limited as Finance Director in 2004.

Proposed Directors

Lord Evans of Watford – Non Executive Director (aged 63)

Lord Evans began his career as an apprentice printer and subsequently founded Centurion Press Group Limited in 1971 which was sold in 2004. He currently holds directorships with several companies in publishing and insurance and is also involved with several charities and institutes. He is also a director of Redactive Publishing Limited, Personnel Publications Limited, PP & Partners Telemedia BV and Senate Consulting Limited. He was awarded a Life Peerage in 1998 for services to charity. Lord Evans of Watford will become a Non-Executive Director on Admission.

Keith Gibbs – Non Executive Director (aged 48)

Keith Gibbs, a qualified actuary and mathematics graduate from the University of Kent, was appointed Chief Executive of AXA PPP healthcare on 17 December 2001. He has wide-ranging skills and knowledge in the healthcare and insurance markets, having previously held the positions of Product Development Actuary and later Marketing Director at Citibank Life and Sales and Marketing Director at Lloyds TSB Insurance Plc. He has also worked at Sun Life PLC and Sentinel Life PLC. He has also run his own management consultancy, which had significant banking and financial clients. Keith Gibbs will become a Non-Executive Director on Admission.

Key Individuals

Allan Weiner – General Manager (aged 41)

Allan Weiner began his career as a management consultant with Roland Berger & Partners in 1990 where he spent seven years. He subsequently gained considerable experience in private equity, mainly with Speed Ventures, as an investment director in London and Stockholm. In 2001, and prior to joining CareCapital Limited, he set up a London based healthcare service operation called Euro Clinics that offered cardiovascular screening and echocardiography. Allan Weiner joined CareCapital Limited as general manager of CareCatalyst in 2004, progressing to general manager of CareCapital Limited. He has an MBA from the Stockholm School of Economics.

Kenn Dalley – Director of Estates and Development (aged 64)

Kenn Dalley has considerable previous experience in architecture and design gained from a variety of positions including Robert Matthew Johnson-Marshall & Partners, John Laing Research & Development, Ministry of Works, Jamaica, where he was responsible for the Ministry of Health Building Programme and DGI International plc where he was responsible for the Health and Education sectors in the UK and overseas. He joined CareCapital Limited as director of development in 2004 where he is responsible for new project design and development, as well as overseeing the existing property portfolio. Kenn Dalley is a Member of the Royal Institute of British Architects, a Fellow of the Royal Society of Arts and has a Diploma in Architecture.

Graham Gardner FRICS – Director of Medical Centre Developments (aged 49)

Graham Gardner began his career at Connells Commercial Ltd. In 1982, he joined Weller Hill Hubble as associate partner. Subsequent to this he held various directorships with surveyors in Hertfordshire before becoming an associate director of Aitcheson Rafferty in March 1997. Graham Gardner joined Ashley House as Commercial Manager in 2000, transferring to Sapphire Primary Care Developments Ltd in 2003. He joined CareCapital Limited as a Director of Medical Centre Development in 2005. Graham Gardner is primarily responsible for expanding the Group's primary care portfolio by optimising the commercial viability of schemes, including handling the property challenges relating to existing premises held by GPs or PCTs.

Rick Hayes – Director of Medical Centre Developments (aged 43)

Rick Hayes began his career in construction and in 1989 formed Hayes Contractors. In 1993 he moved to Lovellford Contract Ltd as business development manager. He joined Ashley House Plc in 2000 as regional manager responsible for business development, site finding and evaluation and then Sapphire Primary Care Developments Ltd in 2003 as Regional Manager. Rick joined CareCapital Limited in 2005 as director of medical centre developments with specific responsibility for primary care premises business development, including GP relationships as well as specialising in site finding and planning-related matters.

13. Shareholder interests, lock-in arrangements and orderly market arrangements

Upon Admission, the Directors and the Proposed Directors (which includes SMT and other persons connected and/or associated with them) will hold, in aggregate 26,191,818 Ordinary Shares representing approximately 34.12 per cent. of the Enlarged Issued Share Capital.

Each of the Directors, the Proposed Directors and SMT has undertaken with the Company and Daniel Stewart (subject to the limited exceptions, including in connection with a general or partial takeover offer) not to dispose of Ordinary Shares held by each of them at any time prior to the first anniversary of Admission.

Furthermore, each of the Directors, the Proposed Directors and SMT has undertaken with the Company and Daniel Stewart not to dispose of Ordinary Shares for a further twelve months following the first anniversary of Admission otherwise than through Daniel Stewart (whilst it is broker to the Company) and in such orderly manner as Daniel Stewart may reasonably require with a view to monitoring an orderly market in the share capital of the Company or any subsequent broker.

Further details of the Directors' and the Proposed Directors' interests in the Ordinary Shares and their lock-in arrangements, which are contained within the Placing Agreement, are set out in paragraph 8 in Part VII of this document.

Under the terms of the Vendor Placing Agreement, Asgard has undertaken to the Company and Daniel Stewart (whilst it is broker to the Company), for a period of 12 months from the date of Admission and save only in limited circumstances, to only dispose of any of the 22,974,981 Ordinary Shares which it will have on Admission in such orderly manner as Daniel Stewart may reasonably require with a view to maintaining an orderly market in the share capital of the Company.

Under the terms of the Henry Lafferty Lock-In Agreement, Henry Lafferty, who will have 2,590,638 Ordinary Shares on Admission, has undertaken to the Company and Daniel Stewart (whilst it is broker to the Company), that for a period of 12 months from the date of Admission, he will not dispose of 50 per cent. of the Ordinary Shares which he will have on Admission (being 1,295,319 Ordinary Shares) (other than in limited circumstances) and that during such 12 month period he will only dispose of any of the balance of his Ordinary Shares (being 1,295,319 Ordinary Shares) in such orderly manner as Daniel Stewart may reasonably require with a view to maintaining an orderly market in the share capital of the Company.

14. The Takeover Code

The Company will be subject to the Code. Under Rule 9 of the Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares

in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company, or any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, such person shall extend offers to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company.

For the purposes of the Code, the Panel has deemed that the founders, Dr. Michael Sinclair, Paul Stacey (who are both Executive Directors of CareCapital Group Plc), Steve Wilden (who is an Executive Director of CareCapital Group Plc), Keith Gibbs and Lord Evans of Watford (who are both proposed Non-Executive Directors of CareCapital Group Plc) and Sinclair Montrose Trust Limited of whom Michael Sinclair and Paul Stacey are both directors and shareholders, are together a concert party (the "Concert Party"). The Concert Party currently owns 36.5 per cent. of the Existing Ordinary Shares. Immediately following Admission, the Concert Party will own 26,191,818 Ordinary Shares comprising 34.12 per cent. of the Enlarged Issued Share Capital.

Prospective investors should note that the Concert Party will, following the Placing and Admission, control in excess of 30 per cent. but not more than 50 per cent. of the Enlarged Issued Share Capital and will therefore (for so long as they are treated as acting in concert) not be entitled to increase its interest in the voting rights of the Company without incurring a further obligation under Rule 9 of the Code to make a general offer.

15. Dividend Policy

The Directors and the Proposed Directors intend to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the resources needed for the Group's growth.

16. Corporate Governance

The Directors and the Proposed Directors support high standards of corporate governance and confirm that they intend to comply, so far as is practicable taking into account the Company's size and nature, with the provisions of the QCA Guidelines.

The Board meets regularly throughout the year. To enable the Board to perform its duties, all Directors will have full access to all relevant information. If necessary, the non-executive Directors may take independent professional advice at the Company's expense.

The Board has delegated specific responsibilities to the committees described below.

An audit committee has been established from Admission with the primary responsibility of monitoring the financial affairs of the Company and ensuring that the financial performance of the Company and any subsidiary of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the accounting and internal controls. On Admission, the audit committee will comprise Lord Evans of Watford and Keith Gibbs.

A remuneration committee has been established from Admission to review the performance of the Directors and determine the terms and conditions of service of senior management and any director appointed to the Board, including the remuneration of and any grant of options to such person under the share option arrangements to be adopted in the future by the Company. On Admission, the remuneration committee will comprise Lord Evans of Watford and Keith Gibbs.

The Directors and the Proposed Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by those of the Group's employees to whom the Rule applies. The Company operates a share dealing code for directors and employees in accordance with the AIM Rules.

17. Taxation

Information regarding taxation is set out in paragraph 12 of Part VII of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

Potential shareholders of the Company who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own financial adviser immediately.

18. Admission, Settlement and CREST

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on 4 August 2006.

CREST is a paperless settlement procedure, which enables securities to be evidenced other than by certificate and transferred other than by written instrument.

The Directors have applied for all of the Enlarged Issued Share Capital to be held in CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Enlarged Issued Share Capital following Admission may take place within the CREST system if the individual Shareholders so wish.

It is expected that the Existing Ordinary Shares and the Placing Shares will be admitted to CREST on 4 August 2006.

CREST is a voluntary system and the shareholders who wish to receive and retain share certificates will be able to do so.

19. Additional Information

Prospective investors should carefully consider the information in Parts II to VII of this document, which provide additional information regarding the Group and in particular Part II, which sets out certain risk factors relating to an investment in the Ordinary Shares.

PART II

RISK FACTORS

An investment in the Ordinary Shares may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000, as amended, who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

In addition to the other relevant information set out in this document, the following factors should be considered carefully when evaluating whether to make an investment in the Ordinary Shares. The risks and other factors described below should be considered carefully together with all the information contained in this document. It should be noted that the risks described below are not the only risks faced by the Group; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware and other risk factors may apply.

The information set out below is not an exhaustive summary of all the risks affecting the Group and is not intended to be presented in any order of priority. If any of these risks referred to in this Part II crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment.

Specific risks relating to the Group

1. The Group's future performance depends on its ability to retain the services of the Directors, the Proposed Directors and key employees and to be able to attract, motivate and retain the services of suitable personnel. Whilst it has entered into contractual arrangements with the aim of securing the services of the Directors, details of which are set out in Part VII of this document, the retention of the current or future directors and/or employees cannot be guaranteed.
2. The Directors and the Proposed Directors intend to continue to develop the Group's business, both organically and through acquisition. The Group's future success will depend, in part, on its ability to manage such expansion. Such expansion may place demands on management, support functions, accounting and financial controls, sales and marketing and other resources. If the Group is unable to manage its expansion effectively, its business and financial results could suffer.
3. Although the use of gearing through bank borrowings may increase the return on the Group's capital and offer inflation protection, it also creates greater potential loss. This includes the risk that available funds will be insufficient to meet required payments and the risk that existing borrowings will not be able to be refinanced or that the terms of such refinancing may not be as favorable as the terms of the existing facilities. The ability to use gearing will be a major factor in the Group's ability to realise value from its investments.
4. If required funds are not available, the Group may not be able to fulfill its strategy, which could have a material adverse effect on the Group's business, financial condition and prospects and may result in a dilution of the Shareholder's holdings if further fund raisings are required.
5. Some of the Group's mortgages are based on fixed rates of interest whilst others are based on variable rates of interest. Adverse movements in interest rates may significantly impact the Group's margins although the Group has implemented interest rate swap arrangements to hedge against some of the risk created through mortgages which carry variable rates of interest. There is potential for the Group to be exposed to a credit risk if the counterparty to the interest rate swap is unable to fulfill its obligations.

Industry specific risks

Industry specific risks considered within this document are those, which are generic within the sectors in which the Group operates.

1. Government initiatives have pledged increased funding to provide, amongst other things, modernisation of 3,000 GP premises by 2008. The Group intends to maintain its position as a provider of Healthcare Facilities, with a particular focus on supporting the NHS to meet Government objectives and overcome the difficulties that are slowing the delivery of modern accommodation. Whilst the Directors and the Proposed Directors are confident the modernisation programme is not sensitive to general election results, the Directors and the Proposed Directors have no influence over the future direction of primary care initiatives in the public sector. In particular NHS decision-making has historically proved that it can be comparatively slow with a four-year gestation period not unusual. Delays in decision making or contract negotiations may lead to escalating material and labour costs, although the experience of management should help to reduce such costs should delays occur.
2. Changes in the political or legislative environment (e.g. a change in government policy away from the current climate of increasing the availability of Primary Healthcare facilities) could reduce the size of the sector in which the Group operates.
3. The sector is currently highly attractive, which means that bids will be highly competitive with contracts likely to be awarded on those who can offer the lowest costs to the Healthcare sector. Unsuccessful bids for contracts will impact profitability although the Directors and the Proposed Directors intend to limit this impact through careful selection of contracts
4. Any future property market recession has the potential to adversely affect the value of properties. The performance of the Group would be adversely affected by a downturn in the property industry in terms of capital value and/or a weakening of rental yields. However the sector in which the Group operates, is less susceptible to fluctuations in values than other parts of the property industry.
5. Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and there can be no assurance that the estimates resulting from the valuation process will reflect actual sale prices that could be realised by the Group in the future.
6. Returns from investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the repair, maintenance and management of the property, as well as upon changes in its market value. Development or redevelopment expenditure may be necessary in the future to preserve the rental income generated from and/or the value of a property. Dividend growth on the Ordinary Shares will depend principally on income received by the Group.
7. The rent review provisions for leases of GP practices are often different to other commercial property provisions in that they do not always provide for rents to be reviewed on an upwardly only basis. At rent review, therefore, if the open market rent for a property is lower than the rent payable by the tenant immediately before the rent review, the rent payable may decrease, although not usually below the level of the initial rent payable under the lease.
8. Rental income and the market value for properties are generally affected by overall conditions in the local economy, employment trends, inflation and changes in interest rates, which in turn may impact upon the demand for properties. Furthermore, movements in interest rates may also affect the cost of financing for property investment companies.
9. The potential for the redevelopment and/or expansion of properties may be adversely affected by a number of factors including constraints on location, planning legislation and the need to obtain other licenses, consents and approvals and the existence of restrictive covenants affecting the title to the property.
10. There is no guarantee that the Group will acquire properties free of contamination of hazardous waste, asbestos or other toxic substances. There may, in addition, be contamination in respect of the Group's

current property portfolio. If the Group should purchase such contaminated properties, or if there should be contaminated properties within the Group's current property portfolio, the Group may have an obligation, alone or jointly with other parties, to dispose of or otherwise resolve any such environmental hazards to the satisfaction of relevant governmental authorities. There is no basis for estimating the costs and liabilities of such an obligation, but such costs and liabilities could adversely affect returns to Shareholders.

11. Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds. Disposals of any of the properties could, therefore, take longer than may be commercially desirable.
12. Other than in respect of the Group's current property portfolio, the Group may compete for desirable properties with others including developers, private investment funds, foreign investors, various types of financial institutions, family groups and wealthy individuals, some or all of which may have capital and resources in excess of the Group. These organisations and individuals may invest in promising opportunities before the Group is able to do so or their competitive offers to invest may drive up prices of prospective properties thereby limiting suitable investment opportunities for the Group.

General risks

1. The price at which investors realise their Ordinary Shares will be influenced by a large number of factors; some specific to the Group and its operations, and some general. These factors could include the performance of the Group's operations, large purchases or sales of shares in the Group, absence of liquidity in the market for the Group's shares, legislative or regulatory changes affecting the business of the Group and general economic conditions. An investment in the Ordinary Shares may be volatile and investors could lose some or all of their investment.
2. Potential investors should be aware that the value of the shares issued by the Group can go down as well as up and that an investment in a share which is to be traded on AIM is likely to be less realisable and to carry a higher degree of risk than an investment in a share listed on the Official List.

PART III

ACCOUNTANTS' REPORT ON CARECAPITAL LIMITED

The Directors
CareCapital Group Plc
4th Floor
9 Mandeville Place
London
W1U 3AT



Accountants &
business advisers

And

The Directors
Daniel Stewart & Company plc
Becket House
36 Old Jewry
London
EC2R 8DD

31 July 2006

Dear Sirs

CARECAPITAL LIMITED (“THE COMPANY”)

Introduction

We report on the financial information set out below relating to the Company and its subsidiaries together “the Group” for the period ended 31 December 2004 and the year ended 31 December 2005.

This financial information has been prepared for inclusion in the Admission Document dated 31 July 2006 of CareCapital Group Plc in connection with the proposed admission of CareCapital Group Plc to trading on the AIM Market of the London Stock Exchange. This report is required by Paragraph a of Schedule Two of the AIM Rules and item 20.1 of Annex 1 of the Prospectus Rules and is given for the purpose of complying with Paragraph a of Schedule Two of the AIM Rules and item 20.1 of Annex 1 of the Prospectus Rules and for no other purpose.

Responsibility

The financial information set out in this report is based on the audited statutory financial statements of the Company for the period ended 31 December 2004 and the year ended 31 December 2005, the preparation of which is the responsibility of the directors of the Company.

The Directors of CareCapital Group Plc are responsible for preparing the financial information on which this report is based.

It is our responsibility to form an opinion on the financial information and to report our opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the

accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 31 July 2006, a true and fair view of the state of affairs of the Group as at 31 December 2004 and 31 December 2005 and of losses of the Company and changes in equity for the period ended 31 December 2004 and the year ended 31 December 2005, in accordance with the basis of preparation set out in the accounting policies and UK GAAP.

Declaration

For the purposes of Paragraph A of Schedule Two of the AIM Rules, we are responsible for this report as part of the AIM Admission Document and declare that we have taken reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PKF (UK) LLP

CARECAPITAL LIMITED

Accounting policies

(a) *Accounting convention*

The financial statements have been prepared under the historical cost convention modified to include the revaluation of investment properties. The true and fair override provisions of the Companies Act 1985 have been invoked, (see “Investment properties” below).

(b) *Basis on consolidation*

The consolidated financial statements incorporate the financial statements of the company and of each of its subsidiaries for the year ended 31 December 2005 and the comparative period from incorporation, being 31 August 2004 to 31 December 2004.

(c) *Turnover*

Turnover represents rental income from tenants under operating leases and amounts related to facilities management services provided under contract. Amounts are recognised when the services have been performed. Turnover excludes value added tax.

(d) *Goodwill*

Goodwill arises on the amounts paid in excess of the fair value of the net assets in connection with the acquisition of businesses in 2004. This is being amortised evenly over five years.

(e) *Tangible fixed assets*

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Investment freehold property	– Not provided
Fixtures and fittings	– 20 per cent. on cost
Computer equipment	– 33 per cent. on cost
Computer software	– 50 per cent. on cost

(f) *Investment properties*

The company’s properties are held for longer term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

Investment properties are revalued annually and the surpluses or deficits on revaluation are transferred to the revaluation reserve.

Although the Companies Act requires the annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value are of prime importance.

(g) *Stocks*

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

(h) *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Provision is made for gains arising from the revaluation (and similar fair value adjustments) of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the asset concerned. However no provision is made

where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold.

(i) *Hire purchase and leasing commitments*

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

(j) *Pensions*

The group operates a defined contribution pension scheme. Contributions payable for the period are charged in the profit and loss account.

Consolidated profit and loss accounts

		<i>Four months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover	(i)	561,676	1,747,651
Cost of sales		19,828	72,719
Gross profit		<u>541,848</u>	<u>1,674,932</u>
Administrative expenses		387,090	1,363,434
		<u>154,758</u>	<u>311,498</u>
Other operating income		(43,800)	–
Operating profit	(iii)	110,958	311,498
Interest receivable and similar income		92,568	244,545
Interest payable and similar charges	(iv)	(387,841)	(1,155,424)
Loss on ordinary activities before taxation		<u>(184,315)</u>	<u>(599,381)</u>
Tax on loss on ordinary activities	(v)	–	–
Loss for the period/year	(xvii)	<u>(184,315)</u>	<u>(599,381)</u>

Continuing Operations

All of the Group's activities were acquired in 2004.

Consolidated statement of total recognised gains and losses

		<i>Four months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Loss for the period/year	(xvii)	(184,315)	(599,381)
Property revaluation	(xvii)	–	281,165
Total recognised gains and losses relating to the period/year		<u>(184,315)</u>	<u>(318,216)</u>

Consolidated balance sheets

		<i>As at 31 December 2004</i>		<i>As at 31 December 2005</i>	
	<i>Notes</i>	£	£	£	£
Fixed Assets					
Intangible assets	(vii)		355,900		278,969
Tangible assets	(viii)		20,612,013		21,539,046
			<u>20,967,913</u>		<u>21,818,015</u>
Current assets					
Stocks		1,200		1,200	
Debtors	(ix)	264,390		379,331	
Cash at bank and in hand		7,931,815		6,964,749	
		<u>8,197,405</u>		<u>7,345,280</u>	
Creditors					
Amounts falling due within one year	(x)	<u>(1,022,737)</u>		<u>(1,043,343)</u>	
Net current assets			<u>7,174,668</u>		<u>6,301,937</u>
Total assets less current liabilities			28,142,581		28,119,952
Creditors					
Amounts fall due after more than one year	(xi)		(16,544,570)		(16,840,157)
Provisions for liabilities and charges	(ixi)		<u>(37,164)</u>		<u>(37,164)</u>
			<u>11,560,847</u>		<u>11,242,631</u>
Capital and reserves					
Called up share capital	(xv)		11,745,162		11,745,162
Profit and loss account	(xvii)		(184,315)		(783,696)
Revaluation reserve	(xvii)		–		281,165
Shareholders' funds	(xviii)		<u>11,560,847</u>		<u>11,242,631</u>

Consolidated cash flow statements

		<i>Four months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Net cash inflow from operating activities	(xxi)	205,683	321,488
Returns on investments and servicing of finance	(xxii)	(295,273)	(877,948)
Taxation		(3,799)	3,799
Capital expenditure	(xxii)	(158,465)	(679,784)
Acquisition	(vi)	(296,116)	–
		<u>(547,970)</u>	<u>(1,232,445)</u>
Financing	(xxii)	8,479,785	255,758
Increase/(Decrease) in cash in the period/year		<u>7,931,815</u>	<u>(976,687)</u>

Reconciliation of net cash flow to movement in net debt

		<i>Four months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Increase/(decrease) in cash in the period/year		7,931,815	(976,687)
Cash inflow from increase in debt and lease financing		(993,804)	(255,758)
Change in net debt resulting from cash flows		<u>6,938,011</u>	<u>(1,232,445)</u>
Loans and finance leases acquired with subsidiaries		(15,946,134)	–
Movement in net debt in the period/year		<u>(9,008,123)</u>	<u>(1,232,445)</u>
Net debt brought forward		–	(9,008,123)
Net debt carried forward		<u>(9,008,123)</u>	<u>(10,240,568)</u>

1. Notes to the financial information

(i) Turnover

The turnover and loss before taxation are attributable to the principal activities of the Group.

An analysis of turnover by class of business is given below:

	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	£	£
Rental income	381,563	1,195,613
Facilities management	180,113	552,038
	<u>561,676</u>	<u>1,747,651</u>

(ii) Staff costs

	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	£	£
Wages and salaries	263,064	734,272
Social security costs	20,686	75,338
Other pension costs	6,325	29,420
	<u>290,075</u>	<u>839,030</u>

The average monthly number of employees during the period/year was as follows:

	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	£	£
Development and administration	6	7
Patient care and administration	12	12
	<u>18</u>	<u>19</u>

(iii) Operating profit

The operating profit is stated after charging:

	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	£	£
Depreciation – owned assets	821	16,696
Depreciation – assets on finance lease	7,717	17,220
Goodwill amortisation	25,644	76,931
Auditors remuneration	10,350	21,550
Directors' emoluments	–	88,125
	<u>–</u>	<u>88,125</u>

(iv) *Interest payable and similar charges*

	<i>Period ended 31 December 2004 £</i>	<i>Year ended 31 December 2005 £</i>
Bank interest	4,283	162
Mortgage interest	324,487	983,640
Interest payable on loan from investor	57,348	167,488
Finance lease interest payable	1,723	4,134
	<u>387,841</u>	<u>1,155,424</u>

(v) *Tax on profit on ordinary activities*

	<i>Period ended 31 December 2004 £</i>	<i>Year ended 31 December 2005 £</i>
(a) <i>Analysis of charge in period</i>		
Current tax:		
UK corporation tax on profits of the period (see (b) below)	—	—
Deferred tax:		
Origination and reversal of timing difference (note xv)	—	—
Tax on profit on ordinary activities	<u>—</u>	<u>—</u>
(b) <i>Factors affecting tax charge for period</i>		
Loss on ordinary activities before tax	(184,315)	(599,381)
Expected tax @ 30%	(55,295)	(179,814)
Expenses not deductible for tax purposes	275	74,432
Depreciation (less than)/in excess of capital allowances	6,306	2,601
Increase in tax losses	48,714	102,781
Actual tax charge	<u>—</u>	<u>—</u>

Unrealised tax losses of approximately £800,000 have been carried forward to off-set against future taxable profits of the Group.

(vi) *Acquisition*

On 31 August 2004, CareCapital Limited acquired the entire issued share capital of Sinclair Montrose Properties Limited, PatientFirst Partnerships Limited and CareCatalyst Limited for consideration in "B" ordinary shares of £1 each of £4,245,162 plus fees of £358,302.

	<i>Acquirees' carrying values prior to completion</i>	<i>Fair value adjustments</i>	<i>Fair value</i>
	£	£	£
Fixed Assets			
Intangible assets			
Tangible assets	19,770,092	692,000	20,462,092
	<u>19,770,092</u>	<u>692,000</u>	<u>20,462,092</u>
Current assets			
Stocks	1,200	–	1,200
Debtors	270,221	–	270,221
Cash at bank and in hand	62,180	–	62,180
	<u>333,601</u>	<u>–</u>	<u>333,601</u>
Creditors			
Amounts falling due within one year	(2,592,436)	–	(2,592,436)
Net current assets	<u>(2,258,835)</u>	<u>–</u>	<u>(2,258,835)</u>
Total assets less current liabilities	17,511,257	692,000	18,203,257
Creditors			
Amounts fall due after more than one year	(13,981,337)	–	(13,981,337)
	<u>3,529,920</u>	<u>692,000</u>	<u>4,221,920</u>
Capital and reserves			
Called up share capital	2	–	2
Share premium	2,976,805	–	2,976,805
Profit and loss account	(3,322,937)	–	(3,322,937)
Revaluation reserve	3,876,050	692,000	4,568,050
Shareholders' funds	<u>3,529,920</u>	<u>692,000</u>	<u>4,221,920</u>
Net cash inflow arising on acquisition			
Cash acquired			62,180

(vii) *Intangible fixed assets*

	<i>Goodwill</i> £
Cost	
At 31 August 2004	–
Additions	381,544
At 31 December 2004	<u>381,544</u>
At 31 December 2005	<u>381,544</u>
Amortisation	
At 31 August 2004	–
Amortisation for year	25,644
At 31 December 2004	<u>25,644</u>
Amortisation for year	76,931
At 31 December 2005	<u>102,575</u>
Net Book Value	
At 31 December 2004	<u>355,900</u>
At 31 December 2005	<u>278,969</u>

(viii) *Tangible fixed assets*

	<i>Freehold property</i> £	<i>Construction in progress</i> £	<i>Long leasehold</i> £	<i>Fixtures and fittings</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost or valuation						
At 31 August 2004	–	–	–	–	–	–
Additions	19,271,143	403,751	884,615	50,411	10,631	20,620,551
At 31 December 2004	<u>19,271,143</u>	<u>403,751</u>	<u>884,615</u>	<u>50,411</u>	<u>10,631</u>	<u>20,620,551</u>
Additions	651,504	–	–	5,921	22,359	679,784
Transfers	339,534	(339,534)	–	–	–	–
Revaluations	281,165	–	–	–	–	281,165
At 31 December 2005	<u>20,543,346</u>	<u>64,217</u>	<u>884,615</u>	<u>56,332</u>	<u>32,990</u>	<u>21,581,500</u>
Depreciation						
At 31 August 2004	–	–	–	–	–	–
Charge for the year	–	–	–	8,280	258	8,538
At 31 December 2004	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,280</u>	<u>258</u>	<u>8,538</u>
Charge for the year	–	–	–	24,637	9,279	33,916
At 31 December 2005	<u>–</u>	<u>–</u>	<u>–</u>	<u>32,917</u>	<u>9,537</u>	<u>42,454</u>
Net book value						
At 31 December 2004	<u>19,271,143</u>	<u>403,751</u>	<u>884,615</u>	<u>42,131</u>	<u>10,373</u>	<u>20,612,013</u>
At 31 December 2005	<u>20,543,346</u>	<u>64,217</u>	<u>884,615</u>	<u>23,415</u>	<u>23,453</u>	<u>21,539,046</u>

All freehold property is held as investment property and leased to tenants under operating leases.

The historical cost of freehold properties and long leasehold properties is £16,733,270 (2004: £15,742,232).

On 31 July 2006, an external valuation was undertaken by Colliers, which valued the freehold and long-leasehold properties at £21,770,000 (which excludes buying costs).

(viii) *Tangible fixed assets (continued)*

Fixed assets, included in fixtures and fittings above, which are held under finance leases are as follows:

	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	£	£
<i>Fixtures and fittings under finance leases</i>		
Cost		
At beginning of period/year	–	40,975
Charge for period/year	40,975	–
At end of period/year	<u>40,975</u>	<u>40,975</u>
Depreciation		
At beginning of period/year	–	7,717
Charge for period/year	7,717	17,220
At end of period/year	<u>7,717</u>	<u>24,937</u>
Net Book Value	<u>33,258</u>	<u>16,038</u>

(ix) *Debtors*

	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	£	£
Amounts falling due within one year		
Trade debtors	188,090	339,312
Loan to investor	8,000	–
Tax	3,799	–
VAT	8,922	8,199
Prepayments	55,579	29,827
Other debtors	–	1,993
	<u>264,390</u>	<u>379,331</u>

(x) *Creditors: Amounts falling due within one year*

	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	£	£
Bank loans and overdrafts (see note xiii)	348,120	346,725
Finance leases (see note xiv)	18,435	18,435
Retentions	27,107	19,232
Trade creditors	43,384	107,909
Tax	292	292
VAT	–	45,890
Social security	15,347	31,215
Amounts owed to investor	36,813	–
Current mortgage interest	105,559	138,490
Accruals and deferred income	427,680	335,155
	<u>1,022,737</u>	<u>1,043,343</u>

(xi) *Creditors: Amounts falling due after one year*

	<i>Period ended 31 December 2004 £</i>	<i>Year ended 31 December 2005 £</i>
Amounts falling due after one year		
Other loans (see note xiii)	13,767,428	13,975,025
Finance leases (see note xiv)	26,475	8,040
Amounts owed to investor	2,750,667	2,857,092
	<u>16,544,570</u>	<u>16,840,157</u>

(xii) *Loans*

An analysis of the maturity of loans is given below:

	<i>Period ended 31 December 2004 £</i>	<i>Year ended 31 December 2005 £</i>
Amounts falling due within one year or on demand:		
Bank overdraft	–	9,621
Mortgage loans	348,120	337,104
	<u>348,120</u>	<u>346,725</u>
Amounts falling due in more than five years:		
Mortgage loans	13,767,428	13,975,025
	<u>13,767,428</u>	<u>13,975,025</u>
Total loans outstanding	<u>14,115,548</u>	<u>14,321,750</u>

Mortgage loans are secured against the freehold and leasehold assets of the group by way of fixed charges.

(xiii) *Obligations under leasing agreements*

	<i>Period ended 31 December 2004 £</i>	<i>Year ended 31 December 2005 £</i>
Gross obligations repayable:		
Within one year	18,435	18,435
Between one and five	26,475	8,040
	<u>44,910</u>	<u>26,475</u>

(xiv) *Provisions for liabilities*

Deferred tax has been provided for in 2004 in respect of capital expenditure incurred by some subsidiaries.

No further amounts were provided in 2005 because losses available elsewhere within the Group meant that there was unlikely to be any requirement to accelerate capital allowances.

(xv) *Called up share capital*

<i>Number</i>	<i>Class</i>	<i>Nominal value</i>	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
Authorised:				
10,000,000	“A” Ordinary	£1	10,000,000	10,000,000
10,000,000	“B” Ordinary	£1	10,000,000	10,000,000
			<u>20,000,000</u>	<u>20,000,000</u>
Allotted, issued and fully paid:				
7,500,000	“A” Ordinary	£1	7,500,000	7,500,000
4,245,162	“B” Ordinary	£1	4,245,162	4,245,162
			<u>11,745,162</u>	<u>11,745,162</u>

(xvi) *Related party transactions*

At 31 December 2005, a total of £236,658 was payable to Sinclair Montrose Trust Limited who are a major shareholder for management services, property rent and other related charges.

(xvii) *Reserves*

	<i>Profit and Loss account</i>	<i>Revaluation Reserve</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 31 August 2004	–	–	–
Loss for the period	(184,315)	–	(184,315)
At 31 December 2004	(184,315)	–	(184,315)
Loss for the period	(599,381)	–	(599,381)
Property revaluation	–	281,165	281,165
At 31 December 2005	<u>(783,696)</u>	<u>281,165</u>	<u>(502,531)</u>

(xviii) *Reconciliation of movements in shareholders' funds*

	<i>Period ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>
	<i>£</i>	<i>£</i>
(Loss) for the financial period/year	(184,315)	(599,381)
Property revaluations	–	281,165
Issue of share capital	11,745,162	–
Net addition/(reduction) to shareholders' funds	<u>11,560,847</u>	<u>(318,216)</u>
Opening shareholders' funds	–	11,560,847
Closing shareholders' funds	<u>11,560,847</u>	<u>11,242,631</u>
Equity interests	<u>11,560,847</u>	<u>11,242,631</u>

(xix) *Ultimate controlling party*

The ultimate controlling party is Asgard Real Estate Private Equity s.á.r.l. registered in Luxembourg.

(xx) *Contingent liability*

During 2005, CareCatalyst Limited sought a ruling from HMRC concerning the recoverability of input tax by Southampton University Hospital Trust (“SUHT”), for services provided. Pending this

ruling, CareCatalyst's major customer withheld a proportion of contracted payments. HMRC have now ruled against recovery and CareCatalyst has applied to SUHT for full payment.

(xxi) *Reconciliation of operating profit to net cash inflow from operating activities*

	<i>Period ended 31 December 2004 £</i>	<i>Year ended 31 December 2005 £</i>
Operating profit	110,958	311,498
Depreciation charges	8,538	33,916
Amortisation	25,644	76,931
Retentions	27,107	–
Increase in debtors	17,630	(126,740)
Increase in creditors	15,806	25,883
Net cash inflow from operating activities	<u>205,683</u>	<u>321,488</u>

(xxii) *Analysis of cash flows from headings netted in the cash flow statement*

	<i>Period ended 31 December 2004 £</i>	<i>Year ended 31 December 2005 £</i>
Returns on investments and servicing of finance		
Interest received	92,568	244,545
Interest paid	(386,118)	(1,118,359)
Interest element of finance lease payments	(1,723)	(4,134)
Net cash outflow for returns on investments and servicing of finance	<u>(295,273)</u>	<u>(877,948)</u>
Capital expenditure		
Purchase of intangible fixed assets	–	–
Purchase of tangible fixed assets	(158,465)	(679,784)
Net cash outflow for capital expenditure	<u>(158,465)</u>	<u>(679,784)</u>
Acquisition		
Cash acquired	62,180	–
Less acquisition fees paid	(358,296)	–
	<u>(296,116)</u>	<u>–</u>
Financing		
New Loans in year	2,779,480	274,193
Capital repayments in year	(1,799,695)	(18,435)
Share issue	7,500,000	–
Net cash inflow from financing	<u>8,479,785</u>	<u>255,758</u>

(xxiii) *Analysis of changes in net debt*

	<i>At beginning of period £</i>	<i>Cash flow £</i>	<i>Acquisition (excl. cash) £</i>	<i>At end of period £</i>
31 August 2004 – 31 December 2004				
Net cash:				
Cash at bank and in hand	–	7,931,815	–	7,931,815
Debt:				
Finance leases	–	6,145	(51,055)	(44,910)
Debts falling due within one year	1,553,841	(1,901,961)	(348,120)	
Amount due to director within one year	–	100,000	(100,000)	–
Debts falling due after one year	–	125,690	(13,893,118)	(13,767,428)
Amount due to Investor after one year	–	(2,779,480)	–	(2,779,480)
	–	(993,804)	(15,946,134)	(16,939,938)
Total	–	6,938,011	(15,946,134)	(9,008,123)
	<i>At beginning of year £</i>	<i>Cash flow £</i>	<i>Acquisition (excl. cash) £</i>	<i>At end of period £</i>
1 January 2005 – 31 December 2005				
Net cash:				
Cash at bank and in hand	7,931,815	(967,066)	–	6,964,749
Cash overdrawn (included in Bank Loans and overdrafts)	–	(9,621)	–	(9,621)
	7,931,815	(976,687)	–	6,955,128
Debt:				
Finance leases	(44,910)	18,435	–	(26,475)
Debts falling due within one year	–	348,120	(337,104)	(337,104)
Debts falling due after one year	(13,767,428)	(544,701)	337,104	(13,975,025)
Amount due to Investor after one year	(2,779,480)	(77,612)	–	(2,857,092)
	(16,939,938)	(255,758)	–	(17,195,696)
Total	(9,008,123)	(1,232,445)	–	(10,240,568)

(xxiv) *Post Balance Sheet Events*

Since the year end, the company has received notification from SUHT, the major customer of its subsidiary, CareCatalyst Limited that it intends to terminate its contract for the provision of hotel accommodation for oncology patients. The Directors are confident of obtaining replacement contracts and consequently, the accounts of the subsidiary are stated on the going basis.

On 31 July 2006, CareCapital Group Plc entered into a share exchange agreement with Henry Lafferty, Sinclair Montrose Trust Limited and Asgard Real Estate Private Equity S.á.r.l. pursuant to which the entire issued ordinary share capital of CareCapital Limited was acquired in exchange for the issue and allotment of 706,957,760 new ordinary shares of 0.1p each in CareCapital Group Plc, credited as fully paid.

PART IV

ACCOUNTANTS' REPORT ON THE COMPANY

The Directors
CareCapital Group plc
4th Floor
9 Mandeville Place
London
W1U 3AT

PKF

Accountants &
business advisers

And

The Directors
Daniel Stewart & Company plc
Becket House
36 Old Jewry
London
EC2R 8DD

31 July 2006

Dear Sirs

CARECAPITAL GROUP PLC ("THE COMPANY")

Introduction

We report on the financial information set out below relating to the Company for the period ended 31 May 2006.

This financial information has been prepared for inclusion in the Admission Document dated 31 July 2006 of the Company in connection with its proposed admission to trading on the AIM Market of the London Stock Exchange. This report is required by Paragraph a of Schedule Two of the AIM Rules and item 20.1 of Annex 1 of the Prospectus Rules and is given for the purpose of complying with Paragraph a of Schedule Two of the AIM Rules and item 20.1 of Annex 1 of the Prospectus Rules and for no other purpose.

Responsibility

The Directors of CareCapital Group Plc are responsible for preparing the financial information on which this report is based.

It is our responsibility to form an opinion on the financial information and to report our opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 31 July 2006, a true and fair view of the state of affairs of the Company at 31 May 2006, in accordance with the basis of preparation set out in note 1 and UK GAAP.

Declaration

For the purposes of Paragraph A of Schedule Two of the AIM Rules, we are responsible for this report as part of the AIM Admission Document and declare that we have taken reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PKF (UK) LLP

CARECAPITAL GROUP PLC

Accounting policies

The Company was incorporated as Coppersilver plc on 15 September 2005 with an authorised share capital of 100,000 £1 shares of which 2 were issued.

On 12 June 2006 it changed its name to CareCapital Group plc.

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with UK Accounting Standards.

Balance sheet

	31 May 2006
	£
Current assets	
Debtors	2
	<hr/>
Capital and reserves	
Called up share capital	2
	<hr/>

Post Balance Sheet Events

On 31 July 2006 the Company sub-divided its issued and unissued ordinary shares of £1 each into ordinary shares of 0.1p each and allotted 10,581,200 new ordinary shares of 0.1p each at par for cash.

On 31 July 2006 the Company entered into an agreement with Henry Lafferty, Sinclair Montrose Trust Limited and Asgard Real Estate Private Equity S.à.r.l to acquire the entire share capital of CareCapital Limited via a share for share exchange the consideration for which was the issue and allotment of 706,957,760 new ordinary shares of 0.1p each for the capital of the Company, credited as fully paid.

On 31 July 2006 the Company consolidated its issued and unissued ordinary share capital on the basis of one new ordinary share of 1p for every 10 ordinary shares of 0.1p each.

PART V

PROPERTY PORTFOLIO VALUATION



CareCapital Group Plc
4th Floor
9 Mandeville Place
London W1U 3AT

Daniel Stewart & Company plc
Becket House
36 Old Jewry
London EC2R 8DD

31 July 2006

Dear Sirs

VALUATION REPORT CARECAPITAL LIMITED – PORTFOLIO MEDICAL CENTRES, PHARMACIES, DOCTOR’S SURGERIES AND HEALTHCARE PREMISES

1.0 Introduction

- 1.1 CareCapital Limited (“CCL”) is a provider of purpose built property leased and occupied by the primary healthcare market. The Company includes a subsidiary company The CareCatalyst Limited (‘CareCatalyst’) an innovative provider of ancillary care to oncology patients receiving ongoing treatment in the NHS but not requiring acute care.
- 1.2 CCL’s existing portfolio comprises 13 medical centres and doctor’s surgeries, 5 pharmacies, a dental surgery, a patient hotel and a health promotion office. The portfolio properties are listed below and were developed by CCL at various times since 1995 and have been assembled from the portfolios of connected companies, Sinclair Montrose Properties Ltd and PatientFirst Partnerships Limited and its subsidiaries.
- 1.3 The investment portfolio, which is the subject of this report represents a section of CCL’s activities taking advantage of the very significant levels of NHS funding currently being directed at the Primary Healthcare Sector in pursuit of the Government’s drive towards improved performance in the NHS. CareCapital is also developing a significant pipeline of developments under the Department of Health’s healthcare related PFI Schemes and other initiatives. The pipeline projects do not form part of this valuation which deals only with the completed portfolio of investments.
- 1.4 For the avoidance of doubt this valuation does not consider the value of any company mentioned in the report. In reaching our opinion of value of the investment portfolio we have had regard to the cost of managing the properties and our opinion of the actual and estimated rentals which under the lease terms have a variety of rent review dates on an ongoing basis.

2.0 The Portfolio

- 2.1 The portfolio developed by CCL is of a good quality offering a range of facilities typically required of a modern primary health medical centre including adequate waiting and reception areas, consulting and treatment rooms, offices and ancillary accommodation. They all have adequate parking facilities, although a number of car parks are shared with adjoining health care and other uses. The pharmacies are all located close or adjacent to the doctor’s surgeries and provide retail accommodation suitable

for the purpose. The patient hotel provides residential accommodation for up to 29 patients receiving ongoing treatment at a nearby NHS hospital and the health promotion office comprises a two storey building leased by North Warwickshire PCT.

- 2.2 The subject portfolio is set out in the schedule below and provides a description of each property and brief lease details.

3.0 Instructions

- 3.1 We have inspected and completed our investigations into the freehold property portfolio owned by CCL. We have prepared valuations on the various bases and criteria stated below.
- 3.2 The valuations have been prepared in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards – 5th Edition, as amended (‘the Red Book’) and are reported by us as valuers, as defined therein, acting in the capacity of external valuers. We are not aware of any conflict of interest that might preclude our acting on your instructions in this instance.
- 3.3 We draw your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that it would be reasonable to expect a purchaser to make.
- 3.4 This report has been prepared by Jeremy Tasker DipLA MRICS, Director and National Head of Healthcare and Richard Keeling FRICS IRRV, Director. The properties were inspected by Richard Keeling FRICS IRRV, Jane Lees BSc (Hons) MRICS Phil Lilley BSc MBA FRICS, Hadley Newman BA (Hons) MA and Ruvi Bloom BSc (Hons) MA during May 2006. This report has been approved and signed by Richard Keeling FRICS IRRV, Director, for and on behalf of Colliers CRE.
- 3.5 For the avoidance of doubt, this report relates solely to our opinion of the investment value of the property assets within the portfolio as set out in this report and we do not seek to comment on corporate, inter-company, tax or legal matters including any outstanding claims, warranties and litigation. Any value (or liability) attaching to other properties not included in the portfolio identified in this report has been disregarded.
- 3.6 We are not aware of any conflict of interest, which might preclude our acting on your instructions in this instance.

4.0 Approach to Valuation

- 4.1 This report is based on the information provided to us by CCL and we have assumed that the information with which we have been provided is substantially true, accurate and complete. We have not independently verified the accuracy of the information supplied to us although we have analysed the management data made available by CCL’s estates manager and compared it both to our experience of other similar medical facilities in the relevant regions and to observations made during our inspections. We confirm that we have been provided with internal access to all of the properties in the presence of the tenant’s practice manager or an allocated member of staff.
- 4.2 We have not read any original documents of title, leases or planning consents and for the purpose of this valuation we have relied upon the information provided to us by CCL. We have seen certificates of title prepared by Bircham Dyson Bell and desk top environmental reports prepared by Waterman EnviroRisk and have had regard to the contents of these reports in arriving at our opinion of value.
- 4.3 As far as we are aware, the properties have the benefit of all rights, licences and other permissions necessary for their current use and are free of encumbrances, restrictions or other outgoings of an onerous nature which would affect their value.
- 4.4 In accordance with normal valuation practice, when assessing the appropriate net initial yield we have had regard to the purchaser’s costs that would be incurred in an acquisition in the event of the hypothetical sale envisaged in the definition of the Market Value in the RICS Red Book.

- 4.5 In all cases, it is our opinion that the highest value of the individual properties within the portfolio is for the existing use. All the properties are freehold with the exception of Parkside Medical Centre, Burnley (ref 08) which is long lease hold.

5.0 Basis of Valuation

- 5.1 We are required to provide our opinions of the Market Value (“MV”) of the individual properties comprising the Portfolio on the following basis.

5.2 Market Value

- 5.2.1 Where we have been instructed to value the property on the basis of MV, we have done so in accordance with PS 3.2 of the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors, which is defined as follows:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The interpretative commentary on MV, as published in International Valuation Standards 1, has been applied.

5.3 Rental Assessment

- 5.3.1 Unless stated otherwise within the report, our valuation has been based upon the assumption that the rent is to be assessed upon the premises as existing at the date of our inspection. In cases where the rent review is overdue we have had regard to the estimate of the rent likely to be achieved as at the date of the review.

6.0 Property Condition

- 6.1 In the preparation of this report, we have been permitted internal access to all of the properties within the portfolio but we have not undertaken a detailed Building Inspection or Structural Survey. We are therefore not able to comment in detail on the condition of the portfolio, individually or as a whole. Any wants of repair apparent from our inspections have been taken into account and are reflected in our valuations.
- 6.2 We would comment that in general the properties appeared to be in a good condition, appropriate to their current use and the standard of both external and internal decoration was good or acceptable across the portfolio with evidence of routine cyclical redecoration.
- 6.3 We have assumed that an appropriate planned maintenance programme will continue to be implemented and that the properties will be maintained to at least the existing standard going forward.

7.0 Tenure & Planning

- 7.1 We have seen Certificates of Title prepared for the Company by Bircham Dyson Bell and desk top environmental reports prepared by Waterman EnviroRisk and have had regard to the contents of these reports in arriving at our opinion of value.
- 7.2 The lease terms are summarised in the schedule below and in respect of the Manor House both the lease and the terms of the agreement for the provision of services is included.
- 7.3 We assume that all of the properties have the benefit of all rights, licences and other permissions necessary for their current use. We have further assumed that they are free of encumbrances, restrictions or other outgoings of an onerous nature which would affect their value, other than those which have been drawn to our attention.

8.0 Valuations

8.1 Current Portfolio Aggregate Values

8.2 Our opinion of the value of the individual properties within the portfolio as investments are set out in the schedule below which provides details of the 21 investment properties and the various Market Values allocated to each.

8.3 Our opinion of the aggregate Market Value of the freehold interests in the 21 individual properties within the portfolio as set out and described in this report as at the date of valuation is:

£ 21,770,000

(Twenty One Million Seven Hundred and Seventy Thousand Pounds)

Schedule of Properties held as Investments

<i>Property</i>	<i>Description</i>	<i>Lease Details</i>	<i>Net Annual Rent</i>	<i>Market Value</i>
01 Station Yard West, Delves Lane, Consett, Co. Durham DH8 5YA	A purpose-built two storey primary care centre opened in 1999 with a single storey extension which opened in January 2005. There is a large car park adjacent to the medical centre with parking for approximately 40 cars. Inspected 26 May 2006.	Let for 30 years from 14 December 1998 3 yearly upward only reviews to MRV. Next review 14 December 2007 Tenant responsible for internal and external repair and decoration.	£123,500	£2,000,000
02 Victoria Road, Darlington, DL1 5SF	A single storey pharmacy attached to Clifton Court medical centre (see Ref 12 below) opened in 2002 with shared car parking for 18 cars. Inspected 24 May 2006	Let for 20 years from 1 March 2002 5 yearly reviews RPI linked. Next review 1 March 2007 Tenant responsible for internal and external repair and decoration.	£10,000	£145,000
03 300 Upper Rainham Road, Hornchurch, Essex RM12 4EQ	A purpose built two storey detached surgery completed in 1997 comprising 12 consulting rooms, 3 treatment rooms, 4 offices, health visitors room, meeting room, staff room and a reception with a large waiting area. Inspected 23 May 2006	Let for 30 years from 30 June 1997 3 yearly upward only reviews to MRV. Next review 30 June 2006 Tenant responsible for internal and external repair and decoration.	£164,209	£2,665,000
04 Court Street, Leamington Spa, Warwickshire CV31 2BB	A two storey brick and tiled office adjoining a pharmacy and across a car park from Waterside Medical Centre. Inspected 23 May 2006	Let to the PCT for 15 years from 4 February 2005 3 yearly upward only reviews to MRV. Next review due 4 February 2010 Tenant responsible for repairs and insurance.	£35,500	£535,000
05 Waterside, Court Street, Leamington Spa, Warwickshire CV31 2BB	A single storey pharmacy property adjoining the PCT offices. Construction is of brick elevation under a pitched roof. Shared access and car parking with Medical Centre (see Ref 18 below). Inspected 23 May 2006	Let for 30 years from 1 January 2001. 5 yearly reviews RPI linked. Next review due 1 January 2011 Tenant responsible for repairs and insurance.	£11,225	£145,000
06 Tutnall's Street, Lydney, Glos GL15 5PP	A part single and part two storey purpose built medical centre accommodating a four doctor GP practice with a list approaching 4,000 patients. There is car parking for 24. Inspected 23 May 2006	Let for 30 years from 27 May 2002 3 yearly rent reviews after the initial 6 years. Tenant responsible for repairs and insurance.	£50,000	£815,000

<i>Property</i>	<i>Description</i>	<i>Lease Details</i>	<i>Net Annual Rent</i>	<i>Market Value</i>
07 Mansbridge Road, West End, Southampton, Hants SO18 3HW	The property comprises two period style buildings which have been interlinked at ground floor level with a glazed link block. Used as accommodation for up to 29 oncology patients. Inspected 25 May 2006	Let for 25 years from 24 March 1999 5 yearly upward only to MRV next review 24 March 2009 Full repairing and insuring lease	£148,320 (including rent and Operating Agreement payment)	£1,745,000
08 Parkside Medical Centre, Colne Road, Burnley BB10 1AZ	A purpose-built two storey Primary Care centre opened in 2003. There is a large car park for approximately sixty cars. Inspected 25 May 2006 Held on long lease hold basis. 125 years from 25 December 2002 at £1 per annum.	Let for 21 years from 17 August 2003 3 yearly upward only reviews to MRV. Outstanding review from 14 August 2006 Full repairing and insuring lease	£112,000	£1,820,000
09 Chafford Hundred Medical Centre, Drakes Rd, Essex RM16 6RS	Purpose built two storey detached surgery (with detached dental surgery under separate ownership) completed in 1999. Inspected 23 May 2006	Let for 25 years from 5 July 1999 5 yearly upward only reviews to MRV. Over due review 5 July 2004 Tenant responsible for all repairs and insurance.	£59,000	£960,000
10 Frithwood Medical Centre, Tanglewood Way, Chalford GL6 8DE	Purpose built two storey detached medical centre adjoining retail shops completed in 1996 comprising waiting area, consulting rooms, treatment room and ancillary offices together with a separate dispensary accessed from the lobby. Inspected 23 May 2006	Let for 25 years from 27 July 1995 3 yearly upward only reviews to MRV. Outstanding review from 27 July 2004 Tenant responsible for internal and external repair and decoration.	£42,500	£700,000
11 Station Yard West, Delves Lane, Consett, Co. Durham DH8 5YA	A single storey pharmacy constructed in 2005 adjoining a purpose built Primary Care centre (see Ref 01 above). Inspected 24 May 2006	Let for 25 years from 15 December 1998 5 yearly reviews RPI linked. Next review 15 December 2008. Tenant responsible for internal and external repair and decoration.	£22,500	£325,000
12 Clifton Court Medical Centre, Victoria Road, Darlington DL1 5JN	A purpose-built two storey unit opened in 2002 with a single storey pharmacy unit attached (see Ref 02 above) and car park for 18. Inspected 24 May 2006	Let for 30 years from 11 March 2002 3 yearly upward only reviews to MRV. Next review due 11 March 2007 Tenant responsible for all repairs and insurance.	£73,775	£1,200,000
13 Restalrig Medical Centre, Ale Moor Crescent, Edinburgh EH7 6UJ	A purpose-built two storey Primary Care centre which opened in February 2000. There is a car park for 18 cars and a small fenced courtyard with patio doors and a seating area for staff to the rear of the premises. Inspected 24 May 2006	Let for 25 years from 26 November 1999 5 yearly upward only reviews to MRV. Next review due 5 December 2009 Tenant responsible for internal and external repair and decoration.	£107,300	£1,745,000
14 Station View Medical Centre, Southfield Road, Hinckley LE10 1UA	Purpose built two storey detached surgery with adjoining single storey pharmacy. Construction is of brick elevation under a pitched roof. Inspected 23 May 2006	Let on 2 leases expiring on 21 July 2023. 3 yearly upward only reviews to MRV. Full repairing and insuring lease.	£142,158	£2,300,000
15 Station View, Southfield Road, Hinckley LE10 1UA	A single storey pharmacy attached to a purpose built two storey detached medical centre. Construction is of brick elevation under a pitched roof. Inspected 23 May 2006	Let for 25 years from 06 June 2003 3 yearly reviews RPI linked. Full repairing and insuring lease.	£15,000	£220,000

	<i>Property</i>	<i>Description</i>	<i>Lease Details</i>	<i>Net Annual Rent</i>	<i>Market Value</i>
16	Maylands Dental Surgery, Uppr Rainham Road, Essex RM12 4EQ	A purpose built single storey dental providing 3 consultancy rooms, an X-Ray room, reception/waiting area, administration office, staff room, WC and disabled access WC completed in 1997. Inspected 23 May 2006	Let on an under lease for 24 years from 25 December 1997 3 yearly upward only reviews to MRV. Next review due 25 December 2006 Tenant responsible for all repairs and insurance.	£18,200	£255,000
17	The Birches, Acre Approach, Kesgrave, Ipswich IP5 1JF	A purpose built (1998) part two storey and part single storey surgery, with brick elevations beneath pitched tiled roofs and a flat felt covered roof on the single storey section. Inspected 23 May 2006	Let for 25 years from 31 December 1997 3 yearly upward only reviews to MRV. Next review 30 December 2006 Tenant responsible for internal and external repair and decoration.	£57,227	£930,000
18	Waterside Medical Centre, Court St, Leamington Spa CV31 2BB	A purpose built two storey detached surgery completed in late 2000 adjoining a pharmacy and PCT offices and sharing access and car parking. Inspected 23 May 2006	Let for 30 years from 16 June 2001 3 yearly upward only reviews to MRV. Over due review 16 June 2004 Tenant responsible for all repairs and insurance.	£76,500	£1,245,000
19	Watlington Medical Centre, Rowan Close, Kings Lynn PE33 0TU	A purpose built (1998) single storey surgery, with brick elevations beneath pitched tiled roofs. Inspected 23 May 2006	Let for 30 years from 30 June 1997 3 yearly reviews RPI linked. Next review due 30 June 2006 Tenant responsible for internal and external repair and decoration.	£63,048	£1,025,000
20	Caradoc Surgery, Front Street, Wingate, TS28 5PZ	A purpose-built mainly two storey building, opened in 2000, with a single storey element to the side which adjoins the single storey Pharmacy.	Let for 30 years from 28 July 2000 5 yearly upward only reviews to MRV. Next review 28 July 2010 Tenant responsible for internal and external repair and decoration.	£52,500	£850,000
21	Wingate Pharmacy, Front Street, Wingate, TS28 5PZ	A single storey purpose built pharmacy adjoining a medical centre completed in 2000. There is shared access and car parking. Inspected 22 May 2006	Let for 30 years expiring 21 December 2030. 5 yearly reviews RPI linked. Tenant responsible for all repairs and insurance.	£11,272	£145,000

9.0 General Terms of Reference, Valuation Caveats, General Assumptions and Conditions

9.1 *Market Value*

Where we have been instructed to value the property on the basis of Market Value, we have done so in accordance with PS 4.1 of the Appraisal and Valuation manual issued by The Royal Institution of Chartered Surveyors, which is as follows:

“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The interpretative commentary on Market Value in the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors has been applied.

9.2 *Open Market Value*

Where we have been instructed to value the property on the basis of open market value, we have done so in accordance with PS 4.2 of the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors, which is as follows:

“An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of the valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

9.3 *Existing Use Value*

If we have provided an opinion of Existing Use Value this has been arrived at in accordance with PS 4.3 of the Appraisal and Valuation Manual, which is on the same basis as above, but with the additional assumptions that:

- (a) the property can be used for the foreseeable future only for the existing use; and
- (b) that vacant possession is provided on completion of the sale of all parts of the property occupied by the business.

This basis ignores any element of hope value for an alternative use, any value attributable to goodwill and any possible increase in value due to special investment or financial transactions (such as sale and leaseback) which would leave the owner with a different interest from the one which is valued. However, it includes any value attributable to any possibilities of extensions or further buildings on undeveloped land or redevelopment of existing buildings (all for the existing planning use) providing such construction which can be undertaken without major interruption to the continuing business.

9.4 *Open Market Rental Values*

Our Open Market Rental Values have, in the case of an investment property, been arrived at having regard to the terms and conditions of the leases.

In the case of vacant and owner-occupied property, rental values have been arrived at in accordance with PS 4.9 of the Appraisal and Valuation Manual, which is as follows:

“An opinion of the best rent at which a new letting of an interest in property would have been completed at the date of valuation assuming:

- (a) a willing landlord;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the rent and other letting terms and for the completion of the letting;
- (c) that the state of the market, levels of values and other circumstances were, on any assumed date of entering into an agreement for lease, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective tenant with a special interest;
- (e) a stated length of term and stated principal conditions applying or assumed to apply to the letting and that the other terms are not exceptionally onerous or beneficial for a letting of the type and class of the subject property;
- (f) that no premium passed and that any rent free period is in respect only of the time which would have been needed by the incoming tenant to make the subject fit for occupation; and
- (g) that both parties to the transaction has acted knowledgeably, prudently and without compulsion.”

The above definition requires the rental values adopted to reflect adjustments for the annual equivalent of the cost of rent free periods and/or other inducements which are in respect of anything other than as defined in (f) above.

However, if appropriate, we will adopt “headline” rental values that do not accord with (f) above if these are the rents which, in our opinion, would be obtained on open market lettings. In these cases we have reflected in our valuation the rent-free periods and/or other inducements which we are of the opinion would be required in order to achieve these “headline” rental values.

9.5 *Rental Assessment*

Unless stated otherwise within the report, our valuation has been based upon the assumption that the rent is to be assessed upon the premises as existing at the date of our inspection.

9.6 *Reinstatement Valuation*

If we have prepared a reinstatement valuation we will not have carried out a detailed cost appraisal and the figure should therefore be considered for guidance purposes only.

9.7 *Fixtures and Fittings*

In arriving at our opinions of value we have disregarded the value of all process related plant, machinery, fixtures and fittings and those items which are in the nature of tenants’ trade fittings and equipment. We have had regard to landlords’ fixtures such as lifts, escalators, central heating and air conditioning forming an integral part of the buildings.

Where the property is valued as an operational entity and includes the fixtures and fittings, it is assumed that these are not subject to any hire purchase or lease agreements or any other claim on title. No equipment or fixtures and fittings have been tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation. Unless otherwise specifically mentioned the valuation excludes any value attributable to plant and machinery.

9.8 *Operational Entities*

Where the property is valued as an operational entity and reference has been made to the trading history or trading potential of the property, reliance has been placed on information supplied to us. Should this information subsequently prove to be inaccurate or unreliable, the valuation reported could be adversely affected.

Our valuation does not make any allowance for goodwill.

9.9 *Licences*

We have assumed and have not been advised to the contrary that all necessary permissions, licences, consents, permits and certificates have been obtained for the existing use of the property and that they will continue without limitation or cessation of the use of all or part of the property.

9.10 *Purchase and Sale Costs*

No allowance has been made for legal fees or any other costs or expenses which would be incurred on the sale of the property. In the case of an investment property we have, however, made a deduction reflecting purchasers' acquisition costs. For a property with a value of between £60,001 and £250,000 this is 2.75 per cent.; for a property with a value of between £250,001 and £500,000 this is 4.75 per cent. and for a property with a value of in excess of £500,000 this is 5.75 per cent.

It should be noted, however, that for properties of an unusually large lot size it is common market practice that a purchase would not expect to pay the standard 1.75 per cent. agents and solicitors costs. Accordingly, we may consider in these instances that it is appropriate to adopt a reduced rate.

9.11 *Government Grants*

Our assessment of the value of the interest ignores any grants, incentive payments or Capital Allowances which may be obtainable either from Government or other sources.

9.12 *Mortgages*

We have disregarded the existence of any mortgages, debentures or other charges to which the property may be subject.

9.13 *Tenure, Lettings and Reports on Title and/or Tenancies*

Unless otherwise stated, we have not inspected the title deeds, leases and related legal documents and, unless otherwise disclosed to us, we have assumed that there are no onerous or restrictive covenants in the titles or leases which would affect the value.

Where we have not been supplied with leases, unless we have been advised to the contrary, we have assumed that all the leases are on a full repairing and insuring basis and that all rents are reviewed in an upwards direction only, at the intervals notified to us, to the full open market value.

We have assumed that no questions of doubt arise as to the interpretation of the provisions within the leases giving effect to the rent reviews.

We have disregarded any inter-company lettings and have arrived at our valuations of such accommodation on the basis of vacant possession.

If a solicitors' Report on Title and/or Tenancies has been provided to us, our valuation will have regard to the matters therein. In the event that a Report on Title and/or Tenancies is to be prepared, we recommend that a copy is provided to us in order that we may consider whether any of the matters therein have an effect upon our opinion of value.

9.14 *Condition of Structure & Services*

Unless otherwise stated within the report, we have not carried out a building survey, nor have we inspected the woodwork or other parts of the structure which are covered, unexposed or inaccessible

and we are, therefore, unable to report that such parts of the property are free from rot, beetle or other defects.

Where we have noticed items of disrepair during the course of our inspections, they have been reflected in our valuations, unless otherwise stated.

We have assumed that none of the following or other deleterious materials was used in the construction or subsequent alteration of the buildings:

- High alumina cement concrete
- Blue and brown asbestos
- Calcium chloride as a drying agent
- Wood wool slabs as permanent shuttering

None of the services, drainage or service installations were tested and we are, therefore, unable to report upon their condition.

9.15 *Environmental matters*

Unless otherwise stated within the report, we have not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the report, our valuation assumes that there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful.

9.16 *Taxation*

Whilst we have had regard to the general effects of taxation on market value, we have not taken into account any liability for tax which may arise on a disposal, whether actual or notional, and neither have we made any deduction for Capital Gains Tax, Valued Added Tax or any other tax.

9.17 *Local authorities, Statutory Undertakers and Legal Searches*

We have not made any formal searches or enquiries in respect of the property and are therefore unable to accept any responsibility in this connection. We have, however, made informal enquiries of the local planning authority in whose areas the property is situated as to whether or not they are affected by planning proposals. We have not received a written reply and, accordingly, have had to rely upon information obtained verbally.

We have assumed that all consents, licences and permissions including, *inter alia*, and fire certificates, enabling the property to be put to the uses ascertained at the date of our inspection have been obtained and that there are no outstanding works or conditions required by lessors or statutory, local or other competent authorities.

Information provided by Local Authorities, whether by way of an official search or informal enquiry, is given by the authorities strictly without liability, although we have assumed that the information obtained and summarised in the accompanying Property Report (Section 4 of this document) is correct.

9.18 *Measurements*

Measurements and floor areas have been arrived at in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors.

9.19 *Arrears*

We have assumed that all rents and other payments payable by virtue of the leases have been paid to date. If there is rent or other arrears, we recommend that we should be informed in order that we may consider whether our valuation should be revised.

9.20 *Defective Premises & Health & Safety at Work Acts*

Our valuations do not take account of any rights, obligations or liabilities, whether prospective or accrued, under the Defective Premises Act, 1972. Unless advised to the contrary, we have assumed that the properties comply with, and will continue to comply with, the current Health & Safety and Disability legislation.

9.21 *Information & Information Services*

In certain respects we have relied upon trading and other information provided by third parties including projected profit and loss accounts. Whilst reasonable checks have been made, the accuracy of this information has been assumed. We have further assumed that we have been supplied with all such information likely to have an effect on a valuation of the interest under consideration.

Data available from a number of commercial sources has been analysed by the Research and Healthcare divisions of Colliers Conrad Ritblat Erdman to provide an assessment of the demographic profile, existing competing premises and planning proposals for similar properties in the area surrounding the Property as defined. Where possible, these databases have been supplemented by further information available to Colliers Conrad Ritblat Erdman.

Neither Colliers Conrad Ritblat Erdman nor its suppliers warrant that data supplied in any format or media are accurate, error free or complete in every respect.

9.22 *Proviso*

These General Terms of Reference comprise an integral part of the document of which they form part and should be read in conjunction therewith. They will apply in full unless amended or stated otherwise within our report. All reservations and provisos stated therein apply equally to all sections of the entire document.

10.0 Liability and Publication

10.1 This Valuation Report is provided for the purpose agreed with CareCapital Group Plc and Daniel Stewart. We accept responsibility to them alone that the report has been prepared with the skill, care and diligence which can reasonably be expected of a competent surveyor, but accept no responsibility whatsoever to any other person who relies upon the report at his own risk.

10.2 Save for publication in this document, neither the whole nor any part of the Valuation Report may be included in any published document, circular or statement, nor published in anyway without our written approval of the form and context in which it may appear.

10.3 Colliers Conrad Ritblat Erdman undertake all services only on the basis of those terms which shall apply to the exclusion of any other terms and conditions which the clients may seek to impose. No variation of these terms shall be binding unless agreed in writing between the authorised representative of Colliers Conrad Ritblat Erdman and the clients.

Yours faithfully

R G Keeling FRICS IRRV

Director

Colliers Conrad Ritblat Erdman

Chartered Surveyors

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited pro forma statement of net assets for the Group. The unaudited pro forma statement of net assets has been prepared to show the effect on the Group of the proposed Placing as if it had taken place on 31 December 2005. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results.

	<i>CareCapital Group Plc</i>	<i>Adjustments</i>			<i>Pro forma</i>
	£000	(a) £000	(b) £000	(c) £000	£000
Fixed assets					
Goodwill	–	279	–	–	279
Tangible assets	–	21,539	–	342	21,881
	–	21,818	–	342	22,160
Current assets					
Stock	–	1	–	–	1
Debtors	–	379	–	–	379
Cash at bank and in hand	–	6,965	(2,048)	–	4,917
	–	7,345	(2,048)	–	5,297
Creditors: amounts falling due within one year	–	(1,043)	–	–	(1,043)
Net current assets	–	6,302	(2,048)	–	4,254
Total assets less current liabilities	–	28,120	(2,048)	342	26,414
Creditors: amounts falling after more than one year	–	(16,840)	2,938	–	(13,902)
Provisions for liabilities and charges	–	(37)	–	–	(37)
	–	11,243	890	342	12,475

Notes

1. The financial information on the Group has been extracted, without material adjustment, from the balance sheet at 31 May 2006 as set out in Part III of this Document.
2. The adjustments are as follows:
 - (a) Acquisition of CareCapital Limited via a share for share exchange which will be accounted for using the principles of merger accounting as a group reorganisation under UK GAAP. The financial information on CareCapital Limited has been extracted, without material adjustment, from the balance sheet at 31 December 2005 as set out in Part III of this Document.
 - (b) Proceeds of the Placing of £1.5 million net of costs of £0.61 million (excluding VAT) and repayment of a loan to Valhalla (including accrued interest) of €4.28 million (£2.938 million).
 - (c) Property revaluation to take into account the valuations included in the Colliers CRE valuation report set out in Part V of this document.
3. No account has been taken of any trading of the Group since 31 May 2006 or CareCapital Limited since 31 December 2005.

PART VII

ADDITIONAL INFORMATION

1. INCORPORATION

- 1.1 The Company was incorporated in England and Wales on 15 September 2005 as a public limited company under the Act with the name Coppersilver plc and with company number 5564418. On 12 June 2006, the Company changed its name to CareCapital Group plc. On 31 July 2006, the Company obtained a certificate of trading pursuant to section 117 of the Act.
- 1.2 The Company's and CCL's registered office and principal place of business is at 4th Floor, 9 Mandeville Place, London, W1U 3AT.
- 1.3 The Company is subject to and operates pursuant to the provisions of the Act. The liability of the members of the Company is limited.
- 1.4 The Company's telephone number is 00 44 (0)20 7034 1949.
- 1.5 The website address of the Company is www.carecapital.co.uk.

2. SHARE CAPITAL OF THE COMPANY

- 2.1 The authorised and issued share capital of the Company at (i) the date of this document and (ii) upon Admission, is/will be as follows:

	<i>Authorised Number of of Ordinary Shares of 1p each</i>	<i>£</i>	<i>Issued and to be issued fully paid Number of Ordinary Shares</i>	<i>£</i>
At the date of this document	500,000,000	5,000,000	71,754,096	717,540.96
Upon Admission	500,000,000	5,000,000	76,754,096	767,540.96

- 2.2 On incorporation the share capital of the Company was £100,000 divided into 100,000 ordinary shares of £1.00 each, of which two were issued and credited as fully paid to the subscriber to the Memorandum of Association of the Company, being Instant Companies Limited and Swift Incorporations Limited. On 9 June 2006 the subscriber shares were transferred to Filex Nominees Limited and on 20 June 2006, the subscriber shares were transferred to SMT.
- 2.3 On 9 June 2006, pursuant to a special resolution, the authorised share capital of the Company was increased to £5,000,000 and each issued and unissued ordinary share of £1 each was subdivided into 1,000 ordinary shares of 0.1p each. On 31 July 2006 the following allotments were then made:

<i>Shareholder</i>	<i>No. of ordinary shares of 0.1p</i>
SMT	3,861,100
Asgard	6,338,000
Henry Lafferty	382,100

- 2.4 On 31 July 2006, pursuant to the terms of the Share Exchange Agreement, the then shareholders of CCL transferred the entire share capital of CCL to the Company in consideration for the following allotments:

<i>Shareholder</i>	<i>No. of consideration shares of 0.1p each</i>
SMT	258,055,080
Asgard	423,378,400
Henry Lafferty	25,524,280
Total	<u>706,957,760</u>

- 2.5 On 31 July 2006, pursuant to a special resolution every 10 issued and unissued ordinary share of 0.1p each in the capital of the Company were consolidated into one ordinary share of 1p.
- 2.6 Other than set out in paragraphs 8 and 10 of this Part VII, no person has any right to purchase the authorised but unissued share capital of the Company and no person has been given an undertaking by the Company to increase its authorised share capital.
- 2.7 As at the date of this document and immediately following Admission, so far as the Directors and the Proposed Directors are aware, the only persons who are directly or indirectly interested in more than 3 per cent. of the issued Ordinary Shares or who exercise or could exercise control over the Company directly or indirectly are, and will be, as follows:

Name	At the date of this document		On Admission	
	Number of Ordinary Shares	% of Ordinary Shares	Number of Ordinary Shares	% of Ordinary Shares
Asgard	42,971,640	59.89	22,974,981	29.93%
Sinclair Montrose Trust Ltd*	26,191,818	36.50	26,191,818	34.12%
Henry Lafferty	2,590,638	3.61	2,590,638	3.38%

* SMT holds 5,238,364 of the 26,191,818 Ordinary Shares registered in its name, being 20 per cent. of its shareholding, beneficially on trust for Paul Stacey who is also a director of SMT. Michael Sinclair is a director of the Company and is a director of SMT and is interested in 80.72 per cent. of the shares in SMT.

- 2.8 On 31 July 2006, the Directors were generally and unconditionally, for the purposes of Section 80 of the Act, authorised to allot relevant securities up to an aggregate nominal amount of £1,031,061.30 such authority to expire on the earlier of 15 months of the passing of the resolution or the conclusion of the next annual general meeting of the Company save that the Company may, at any time before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
- 2.9 On 31 July 2006, the Directors were empowered pursuant to Section 95 of the Act to allot equity securities as if Section 89(1) of the Act did not apply to any allotment made in accordance with paragraph 2.8 above, such authority being limited to the allotment of equity securities up to an aggregate amount of £851,968.47. This authority expires at the earlier of 15 months of the passing of the resolution or conclusion of the next annual general meeting of the Company, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.
- 2.10 Save in connection with the Placing or on the exercise of options granted pursuant to the Option Replacement Deeds or under the Unapproved Option Scheme (as described in paragraph 10 of this Part VII), or as otherwise disclosed in this document, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- 2.11 The International Security Identification Number for the Ordinary Shares is GB00B16JQ761.
- 2.12 On completion of the Placing, the issued share capital of the Company shall be increased by approximately 6.97 per cent. resulting in an immediate dilution for existing investors of 6.97 per cent.
- 2.13 The Company does not have in issue any shares not representing share capital and there are no outstanding convertible or redeemable securities issued by the Company.
- 2.14 The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends or other distributions thereafter declared, paid or made on the ordinary share capital of the Company.
- 2.15 Under sections 198-210 of the Act, a Shareholder is required to notify the Company when he acquires or disposes of a material interest in the Ordinary Shares equal to or in excess of 3 per cent. of the

nominal value of the issued share capital or where he acquires or disposes of an interest (not being a material interest as defined under the section 199 of the Act) in the Ordinary Shares equal to or is in excess of 10 per cent. of the nominal value of the issued share capital. In addition, a Shareholder may be required to notify the Company of any increase or decrease in any of the interests referred to in this paragraph in accordance with the Act.

- 2.16 Save as disclosed in this document and pursuant to the Share Exchange Agreement, the Company has not used more than 10 per cent. of the issued share capital for the purchase of assets other than cash since incorporation.
- 2.17 All the Ordinary Shares rank pari passu and no shareholder of the Company has different voting rights to other shareholders of the Company.
- 2.18 No Ordinary Shares are held by or on behalf of the Company or any Subsidiary.
- 2.19 The par value of each Ordinary Share is 1p and the Company has not issued Ordinary Shares that are not fully paid up.
- 2.20 The business address of Asgard is 7 Rue de La Chapell, 1325 Luxembourg.

3. THE SUBSIDIARIES

- 3.1 The Company is the ultimate holding company for the following subsidiaries as set out below:

<i>Company Name</i>	<i>Place of Incorporation</i>	<i>Company Number</i>	<i>Shareholder(s)</i>	<i>Active/Dormant</i>
CareCapital Limited	England	5172369	CareCapital Group Plc (100%)	Active
The CareCatalyst Limited	England	4210980	CareCapital Limited (100%)	Active
Sinclair Montrose Properties Limited	England	2970770	CareCapital Limited (100%)	Active
PatientFirst Partnerships Limited	England	4316249	CareCapital Limited (17.4%) Sinclair Montrose Properties Limited (82.6%)	Active
CareCapital (Folkestone) Ltd	England	5648560	CareCapital Limited (100%)	Active
Cost Rent Management Limited	England	2640038	Sinclair Montrose Properties Limited (100%)	Dormant
CRM Architects Limited	England	3104543	Sinclair Montrose Properties Limited (100%)	Dormant
PatientFirst (GPFC) Holdings Ltd	England	4286017	PatientFirst Partnerships Limited (100%)	Dormant
PatientFirst (Chafford Hundred) Ltd	England	4429144	PatientFirst (GPFC) Holdings Ltd (100%)	Dormant
PatientFirst (Chalford) Ltd	England	4429108	PatientFirst (GPFC) Holdings Ltd (100%)	Dormant
PatientFirst (Consett) Ltd	England	4429186	PatientFirst (GPFC) Holdings Ltd (100%)	Dormant
PatientFirst (Darlington) Limited	England	4429199	PatientFirst (GPFC) Holdings Ltd (100%)	Dormant
PatientFirst (Hinckley) Ltd	England	4207580	PatientFirst (GPFC) Holdings Ltd (100%)	Active
PatientFirst (Hornchurch) Ltd	England	4429135	PatientFirst (GPFC) Holdings Ltd (100%)	Dormant
PatientFirst (Ipswich) Ltd	England	4428818	PatientFirst (GPFC) Holdings Ltd (100%)	Dormant
PatientFirst (Leamington Spa) Ltd	England	3864796	PatientFirst (GPFC) Holdings Ltd (100%)	Active
PatientFirst (Leith) Ltd	England	4428835	PatientFirst (GPFC) Holdings Ltd (100%)	Dormant
PatientFirst (Watlington) Ltd	England	4428811	PatientFirst (GPFC) Holdings Ltd (100%)	Dormant
PatientFirst (Wingate) Ltd	England	3864793	PatientFirst (GPFC) Holdings Ltd (100%)	Active
PatientFirst (RBS) Holdings Ltd	England	4289042	PatientFirst Partnerships Ltd (100%)	Dormant
PatientFirst (Burnley) Ltd	England	4388540	PatientFirst (RBS) Holdings Ltd (100%)	Active
PatientFirst (Lydney) Ltd	England	4388527	PatientFirst (RBS) Holdings Ltd (100%)	Dormant

- 3.2 CareCapital Ltd owns one third of Bay Health Trust (UK) Limited (“BHT”) (a company limited by guarantee with company registration number 5756154 whose registered office is at 9 Mandeville Place, London W1U 3AT). The income and property of BHT is to be solely applied towards the promotion of its objects as set forth in the Memorandum of Association and no portion can be paid (directly or indirectly) by way of dividend, bonus or otherwise by way of profit. The company is

owned as to one third by CareCapital Limited, one third by Med-Emerg (International) Inc and one third by Bay Area Health Trust.

- 3.3 CareCapital Ltd owns 50 per cent. of CareSynergy Ltd (“CSL”) (a company incorporated in England and Wales with company registration number 5554782 whose registered office is at 9 Mandeville Place, London, W1U 3AT). The other 50 per cent. shareholder is Laing O’Rourke. CSL has been set up as a bidding vehicle for PFI projects.

4. CARECAPITAL LIMITED

- 4.1 CCL was incorporated on 7 July 2004 with the name CareCapital Limited and with company number 5172369.

- 4.2 The authorised share capital of CCL is currently £21,055,000 divided into 21,055,000 ordinary shares of £1 each. The Company owns the entire issued share capital of CCL, being 10,583,200 ordinary shares of £1 each. CCL was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, of which two were issued as subscriber shares to the subscribers to the memorandum of association of CCL.

- 4.3 On 8 July 2004, CCL’s authorised share capital was increased to £20,000,000 divided into 20,000,000 ordinary shares of £1 each. On 27 July 2004, the subscriber shares were transferred to SMT.

- 4.4 On 31 August 2004 the following transactions took place:

4.4.1 a written resolution was passed approving the conversion of CCL’s authorised share capital into 10,000,000 A ordinary shares of £1 each and 10,000,000 B ordinary shares of £1 each and the re-designation of the 2 ordinary shares then in issue and registered in the name of SMT as “B” ordinary shares of £1 each;

4.4.2 CCL (1) SMT (2) and Henry Lafferty (3) entered into a share exchange agreement pursuant to which CCL agreed to issue 3,863,072 ordinary shares of £1 each to SMT and 382,090 ordinary shares of £1 each to Henry Lafferty in consideration of the transfer by each of SMT and Henry Lafferty of their respective shares in SMP and PFP to CCL. Further details of this share exchange agreement, are set out in paragraph 8.4 below; and

4.4.3 CCL entered into a subscription and shareholders’ agreement between CCL (1) Asgard (2) SMT (3) Henry Lafferty (4) Dr Michael Sinclair (5) and Paul Stacey (6) (the “Subscription Agreement”) pursuant to which, CCL issued 7,500,000 “A” ordinary shares of £1 each to Asgard. Further details of the Subscription Agreement are set out at paragraph 8.6 below.

- 4.5 On 4 May 2006, CCL’s share capital was increased from £20,000,000 to £21,055,000 by the creation of 1,055,000 “C” ordinary shares of £1 each.

- 4.6 In accordance with Article 9 of CCL’s articles of association, on 31 July 2006 Asgard’s shareholding in CCL was redesignated from 7,500,000 “A” ordinary shares of £1 each into 6,337,939 “B” ordinary shares of £1 each and 1,162,061 deferred shares of £0.01 each. The shareholdings of the other two shareholders remained the same.

- 4.7 On 31 July 2006, the following “B” ordinary shares of £1 each in CCL were allotted to existing shareholders, such that their total shareholdings were as follows:

<i>Shareholder</i>	<i>Number of “B” ordinary shares allotted</i>	<i>Total Shareholding</i>
SMT	26	3,863,100
Asgard	61	6,338,000
Henry Lafferty	10	382,100
Total	97	10,583,200

- 4.8 Immediately following the above allotment, CCL and Asgard entered into a buy back agreement pursuant to section 162 of the Act, whereby the 1,162,061 deferred shares of £0.01 each registered in the name of Asgard were bought back by CCL for an aggregate of one pence, and pursuant to a special

resolution, all of the issued and unissued “A” ordinary shares, all of the issued and unissued “B” ordinary shares of £1 each and all of the issued and unissued “C” ordinary shares of £1 each in CCL were redesignated into one class of ordinary share of £1 each in the capital of CCL. Further details regarding the buy back agreement are set out at paragraph 8.10 below.

- 4.9 On 31 July 2006, pursuant to the terms of the Share Exchange Agreement, the then shareholders of CCL transferred the entire share capital of CCL to the Company in consideration for the aggregate allotment of 706,957,760 new ordinary shares of 0.1p each in the Company as set out in paragraph 2.4 above.

5. DIRECTORS’, PROPOSED DIRECTORS’ AND OTHER INTERESTS

- 5.1 The names of the Directors and the Proposed Directors and their functions are given below:

Dr Michael Jeffrey Sinclair (*Part Time Executive Chairman*)
 Paul Quentin Cullum Stacey (*Managing Director*)
 Stephen Kenneth Wilden (*Finance Director*)
 Lord David Charles Evans of Watford (*Non-Executive Director*)
 Keith George Gibbs (*Non-Executive Director*)

- 5.2 The interests of the Directors, the Proposed Directors, and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the Act, in the issued share capital of the Company as at the date of this document and as it will be immediately following the Placing, and at Admission, which have been notified to the Company pursuant to section 324 of the Act or are required to be entered into the register of directors’ interests maintained under the provisions of section 325 of the Act, or could, with reasonable diligence, be ascertained by the Directors or the Proposed Directors, together with the percentages which such interests represent of the Ordinary Shares in issue are or will be as follows:

Name	At the date of this document			On Admission		
	No. of % of issued		Options	No. of % of issued		Options
	Ordinary Shares	Ordinary Shares		Ordinary Shares	Ordinary Shares	
Dr Michael Sinclair*	26,191,818	36.5	0	26,191,818	34.12	0
Paul Stacey**	5,238,364	7.3	0	5,238,364	6.82	0
Steve Wilden***	0	0	881,408	0	0	881,408
Keith Gibbs	0	0	0	0	0	0
Lord Evans of Watford	0	0	0	0	0	0

* Michael Sinclair’s interest in the Company is held by SMT. Michael Sinclair is a director of SMT and together with his wife is interested in 80.72 per cent. of the issued share capital of SMT.

** Paul Stacey’s interest in the Company is held by SMT, a company of which he is also a director. SMT holds 20 per cent. of its 26,191,818 Ordinary Shares, being the 5,238,364 Ordinary Shares referred to above, which are registered in its name and beneficially held on trust absolutely for Paul Stacey. Paul Stacey is not a shareholder in SMT.

*** Details as regards the options held by Steve Wilden are set out at paragraph 10 below

- 5.3 Save as disclosed in this document, no Director or Proposed Director (or member of their family) has any interest, beneficial or non-beneficial, in the share capital of the Company.
- 5.4 The aggregate of the remuneration paid to the Directors and the Proposed Directors by the Group in respect of the period from 1 January 2005 to 31 December 2005 was approximately £212,325 and for the period 1 January 2006 to 31 December 2006 is estimated, under the arrangements in force at the date of this document, to be approximately £297,281.
- 5.5 Save as disclosed in this document, there will be no variation in the total emoluments receivable by the Directors and the Proposed Directors as a result of the Placing or Admission.
- 5.6 There are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors or Proposed Directors.
- 5.7 Dr Michael Sinclair, Paul Stacey and Steve Wilden were appointed to the board with effect from 16 June 2006. The Proposed Directors are to be appointed to the board on Admission and shall remain

in office until their appointments with the Company are terminated as described in paragraphs 7.3.1 and 7.3.2 of this Part VII. In addition, at each annual general meeting of the Company, one third of the Directors are required to retire by rotation and may stand for re-election. Failure of any director to be re-appointed upon retirement by rotation will not automatically result in termination of the employment of such director.

- 5.8 Save for the Company, the Directors and the Proposed Directors currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Dr Michael Sinclair	BDS Management Limited The CareCatalyst Limited Cost Rent Management Ltd. Eastkings Limited Gibbsfield Limited The Holding Company Limited The Holding Company Retail Plc Independent Maternity Centres Ltd. Kenningdale Limited Keshet Limited Magnet Films Limited Montrose Securities Limited Montrose Ventures Limited Service To The Aged Sinclair Medical Partners Limited Sinclair Montrose Healthcare Limited Sinclair Montrose Limited Sinclair Montrose Trust Limited Sinclair Montrose Properties Ltd Six-13 Limited Totally plc Union Income Benefit Holdings Plc PatientFirst (Lydney) Limited Patientfirst (RBS) Holdings Limited CRM Architects Limited YooMedia Plc Ipublic Limited Triggertv Limited YooMedia Dating Group Limited YooPlay Limited SMT (Lincoln Gate) Limited CareCapital Limited Cardoza Worldwide Limited PatientFirst Partnerships Limited PatientFirst (Burnley) Limited YooMedica Limited Carmel College	Healthcare Capital Resources Ltd. Hospital Capital Corp. (UK) Ltd. i-Desk plc(*) Infection Management Limited Finalw 430 Limited Grovehill Limited The Caldecott Foundation Limited PatientFirst (GPFC) Holdings Limited Patientfirst (Wingate) Limited Patientfirst (Watlington) Limited Patientfirst (Leith) Limited Patientfirst (Leamington Spa) Limited PatientFirst (Ipswich) Limited PatientFirst (Hornchurch) Limited PatientFirst (Hinckley) Limited PatientFirst (Darlington) Limited PatientFirst (Consett) Limited PatientFirst (Chafford Hundred) Limited PatientFirst (Chalford) Limited MieTV Limited Amity Partners Limited YooMedia Mobile Limited The London Carlbach Shul Trust New Moon Publications Ltd Numis Corporation plc Numis Leasing Ltd Numis Securities Limited Union Income Benefit Limited(*) Numis Nominees Limited U.S.A. Directorships Advica Health Management Inc. Atlantic Medical Management LLC Atlantic Medical Capital LP Atlantic Medical Associates LP Atlantic Medical Partners LLC Atlantic Medical Investors LLC Healthcare Capital Resources Inc. Nursefinders Inc.

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Paul Stacey	B.D.S. (Management) Limited CareCapital Limited CareCapital (Folkstone) Limited The CareCatalyst Limited Cost Rent Management Limited CRM Architects Limited Grovehill Limited The Healthcare Property Company Limited The Holding Company Limited The Holding Company Retail PLC Independent Maternity Centres Limited PatientFirst Partnerships Limited PatientFirst (Burnley) Limited PatientFirst (GPFC) Holdings Ltd. PatientFirst (RBS) Holdings Ltd PatientFirst (Chafford Hundred) Limited PatientFirst (Chalford) Limited PatientFirst (Consett) Limited PatientFirst (Hinckley) Limited PatientFirst (Ipswich) Limited PatientFirst (Leamington Spa) Limited PatientFirst (Leith) Limited PatientFirst (Lydney) Limited PatientFirst (Watlington) Limited PatientFirst (Wingate) Limited The Rosenberg Group Plc Sinclair Medical Partners Limited Sinclair Montrose Properties Limited Sinclair Montrose Trust Limited Six-13 Limited SMT (Lincoln Gate) Limited Space Cadets Ltd Totally Plc PatientFirst (Hornchurch) Limited PatientFirst (Darlington) Limited	Amity Partners Limited Digihealth Limited Fancy A Flutter Limited Finlaw 430 Limited Healthcare Capital Resources (UK) Limited iDesk plc(*) Infection Management Limited Ipublic Limited KioskPoint Limited New Moon Publications Limited New Moon Publishing Company Limited The Rupert Fison Centre Limited Triggertv Limited Union Income Benefit Limited(*) Union Income Benefit Holdings Plc Hospital Capital Corporates Limited
Steve Wilden	Lateral Business Solutions Limited The Healthcare Property Company Limited	SHRC Limited Staff VMS Limited Supporta Care Limited Next Generation IT Recruitment Limited Supporta Recruitment Limited Wren Bureau Limited Wrencare Limited

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Steve Wilden (cont)		Banna Recruitment Limited Transcend Recruitment Limited(*) SV Staffing Limited Jobzuk Limited CareCapital Limited Supporta Payroll Services Limited Supporta Plc
Lord Evans of Watford	Indigo Publishing Limited Redactive Publishing Limited Personnel Publications Limited Redactive Media Sales Limited Union Income Benefit Holdings Plc Redactive New Media Limited Smith Evans STIJN Limited TU Ink Limited Senate Consulting Limited PP & Partners Telemedia BV (Holland) Partnership Sourcing Limited	The Hammond Organisation Limited Centurion Press International Limited Aero-Space.Com Limited Union Income Benefit Limited Centurion Press Limited Centurion Design Forum Limited Union Income Benefit Limited(*) YooMedia Plc Communis UK Limited Communis Group Strategic Partnerships Ltd
Keith Gibbs	Gibbs Insurance Services Limited AXA PPP Healthcare Limited AXA Insurance Plc AXA PPP Healthcare Group PLC AXA PPP Healthcare Administration Services Ltd PPP Healthcare Professional Services Limited Priplan Investments Limited Denplan Limited AXA Assistance (U.K) Limited AXA PPP Healthcare Occupational Health Services Limited AXA General Insurance Limited AXA Insurance UK Plc AXA UK Plc AXA Sun Life Direct Limited CareCapital Limited Securehealth (Holdings) Limited Securehealth Limited	Denplan Bournemouth Limited Gibbs Solutions Limited Longden & Cook Professional Practice Agency Limited PPP Medical Centre Limited Guardian Healthcare Services Limited Medical & Industrial Services (Health & Safety) Limited Guardian Health Limited

(*) Denotes further information below.

- 5.9 Lord Evans of Watford, Paul Stacey and Dr Michael Sinclair were non-executive directors of Union Income Benefit Limited (“UIBL”) at the time it went into a company voluntary arrangement on 12 March 2001. UIBL proposed to utilise the trading losses incurred in each of its years trading by setting them off against future profits to mitigate its tax liability in the future, and that for each pound of tax saved that up to ten pence should be paid to the supervisor for the benefit of creditors. On 21 May 2002, the business and assets of UIBL were transferred to Union Income Benefit Holdings Plc (“Holdings”). A requirement of the sale agreement was that a percentage of Holdings’ net taxable income for the years ended 31 March 2002, 2003 and 2004 be paid to the company voluntary

arrangement. The company voluntary arrangement came to an end on 23 February 2005, at which time, after the discharge of costs and expenses of the company voluntary arrangement, insufficient funds were available to declare a dividend to any class of creditor. Having regard to the statement of affairs filed in relation to UIBL, the estimated total deficiency as regards creditors was approximately £3,022,488, of which SMT and Friends Provident were the largest creditors. UIBL was dissolved on 27 December 2005.

- 5.10 Paul Stacey and Dr Michael Sinclair were non-executive directors of i-Desk plc when it appointed administrative receivers on 10 April 2002. i-Desk Plc, which provided managed service customer solutions to telecommunications companies, made the decision to appoint receivers following the contraction of the telecommunications and ISP markets it served. While i-Desk Plc continued to service a number of managed service accounts, maintain an installed software base and actively sell its products and services, the burden of its commitments proved too great and the board of directors resolved to petition for an administration order. i-Desk Plc had also endeavoured to sell its business prior to the decision to commence formal insolvency proceedings. These endeavours proved unsuccessful. Following appointment of the receivers, the business and certain assets of i-Desk Plc were sold on 26 April 2002. Having regard to the statement of affairs filed in relation to i-Desk Plc, the estimated total deficiency as regards creditors was approximately £3,140,818. On 2 May 2006, the Registrar of Companies gave notice, that unless good cause is shown, i-Desk Plc will be dissolved on 27 August 2006.
- 5.11 Lord Evans of Watford was a director of Centurion Vogue Travel Limited (“CVTL”) when it went into a creditors voluntary winding up on 30 August 1995. The company was an incoming tour operator, handling the clients of Greek cruise companies. Once the cruise companies stopped doing business in the UK, the decision was made to close CVTL. Following the appointment of a liquidator, CVTL was actually wound up in a solvent manner, such that each creditor received repayment in full. On 12 February 1999 CVTL was dissolved.
- 5.12 Lord Evans of Watford was a director of Vision Publishing Limited (“VPL”) when it went into a creditors voluntary winding up on 14 September 1995. The company specialised in publishing mainly children’s magazines. Following a down turn in business due to a crowded marketplace the decision was made that VPL could no longer continue to trade. Having regard to the statement of affairs filed in relation to VPL, the estimated total deficiency as regards creditors was approximately £147,253.56. On 23 March 1999 VPL was dissolved.
- 5.13 Steve Wilden was a non-executive director of Transcend Recruitment Limited (“Transcend”) between 1 May 2001 and 11 July 2003. On 9 December 2003 Transcend went into creditors voluntary liquidation. Having regard to the statement of affairs filed in relation to Transgard, the estimated total deficiency as regards creditors was approximately £355,564.
- 5.14 Save as set out in this document, no Director or Proposed Director has:
- 5.14.1 any unspent convictions in relation to indictable offences;
 - 5.14.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
 - 5.14.3 been a director of a company or a partner in any firm at that time or within 12 months preceding the dates of its receivership, compulsory liquidation, creditors voluntary liquidation or administration, or entered into any composition or arrangement with its creditors generally or any class of its creditors;
 - 5.14.4 been a partner in any partnership at the time of or within 12 months preceding the date of its liquidation, administration or voluntary arrangement;
 - 5.14.5 been the owner of any asset which was placed into receivership or a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be partner in that partnership;

5.14.6 had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies); or

5.14.7 been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

5.15 Save as disclosed in this document, no Director or Proposed Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

6. KEY EMPLOYEES

6.1 The following comprise the key employees of the Group:

<i>Name</i>	<i>Commencement of employment</i>	<i>Term of Office</i>
Allan Weiner	01.04.2005	Terminable on 6 months' notice
Kenn Dalley	01.09.2004	Terminable on 6 months' notice
Graham Gardner	01.10.2005	Terminable on 6 months' notice
Rick Hayes	01.10.2005	Terminable on 6 months' notice

6.2 None of the employment contracts relating to the key management referred to above, contain a right to benefits (other than those due during the notice period due under the contract) upon termination.

6.3 As at the date of this document the Group has 32 employees all of whom are located in the UK.

7. DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENTS

7.1 Dr Michael Sinclair has a contract of employment with the Company to work one and a half days per week. On 31 July 2006, Dr Sinclair entered into the employment contract which may be terminated upon either party giving not less than 6 months' notice. The basic annual salary is £35,000. The agreement restricts Dr Sinclair from competing with the Company and/or soliciting customers or employees for a period of 12 months after termination of employment.

7.2 The services of Paul Stacey and Steve Wilden are provided to the Company under letters of appointment dated 31 July 2006, with the following principal terms:

<i>Directors</i>	<i>Annual Remuneration</i>	<i>Notice Period</i>
Paul Stacey	£10,000	Terminable on 6 months notice
Steve Wilden	£10,000	Terminable on 6 months notice

7.3 Paul Stacey's and Steve Wilden's main contracts of employment are with CareCapital Limited, the principal terms of which are as follows:

7.3.1 On 1 October 1992 Paul Stacey entered into an employment contract with SMT. From 1 September 2004, Paul Stacey was seconded to CareCapital Limited under the terms of a secondment agreement. Since 1 August 2005, Paul Stacey has been employed by CareCapital Limited and his employment runs continuously with his employment under the secondment agreement with SMT. The employment agreement may be terminated upon either party giving not less than 6 months' notice. The basic annual salary is £130,000. The agreement restricts Paul Stacey from competing with CareCapital Limited and/or soliciting customers or employees for a period of 12 months after termination of employment, Paul Stacey is entitled to a contribution equal to 7.5 per cent. of his annual salary to his personal pension plan, an annual car allowance of £10,000 and a monthly telephone call allowance.

7.3.2 On 1 September 2004, Steve Wilden entered into an employment contract with CareCapital Limited. The employment agreement may be terminated upon either party giving not less than 6 months' notice. The basic annual salary is currently £110,000. The agreement restricts Steve Wilden from competing with CCL and/or soliciting customers or employees for a period of 12

months after termination of employment. Steve Wilden is entitled to a contribution equal to 7.5 per cent of his annual salary to his personal pension plan, an annual car allowance of £10,000 and a monthly telephone call allowance.

- 7.4 The services of the Proposed Directors are to be provided to the Company from Admission under letters of appointment dated 31 July 2006 which are conditional upon Admission and which have the following principal terms:

<i>Directors</i>	<i>Annual Remuneration</i>	<i>Notice Period</i>
Keith Gibbs	£20,000	Terminable on 6 months' notice
Lord Evans of Watford	£20,000	Terminable on 6 months' notice

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries and are or may be material.

- 8.1 The Placing Agreement dated 31 July 2006 between Daniel Stewart (1) the Company (2) the Directors (3) the Proposed Directors (4) and SMT (5) pursuant to which Daniel Stewart has agreed conditionally upon, *inter alia*, completion of the Vendor Placing Agreement and Admission taking place by no later than 4 August 2006 (or such later date as the Company, Daniel Stewart, the Directors and the Proposed Directors may agree not being later than 4 September 2006) to use its reasonable endeavours to procure Places for the Placing Shares. Under the terms of the Placing Agreement the Company has agreed to pay Daniel Stewart a corporate finance fee and has agreed to pay a commission of the value of the Placing Shares subscribed at the Placing Price plus VAT (together with expenses including fees of legal advisors). The Placing Agreement contains certain representations and warranties given by the Directors, the Proposed Directors, SMT and the Company and in respect of the Company, the Directors, the Proposed Directors and SMT only an indemnity in favour of Daniel Stewart, together with provisions which enable Daniel Stewart to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The Directors, the Proposed Directors and SMT have also undertaken to the Company and Daniel Stewart not to dispose of any of their interests in the Ordinary Shares held by them before the first anniversary of the date of Admission except in certain limited circumstances and for a further period of one year to only dispose of any such interest in such orderly manner as Daniel Stewart may reasonably require with a view to maintaining an orderly market in such share capital of the Company.
- 8.2 A nominated adviser and broker agreement dated 31 July 2006 between the Company and Daniel Stewart pursuant to which the Company appointed Daniel Stewart to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company agreed to pay Daniel Stewart a fee of £35,000 for its services as nominated adviser and broker under the agreement. The agreement continues for a fixed period of 12 months' from the date of the agreement and thereafter is subject to termination on the giving of 3 months' notice.
- 8.3 The share exchange agreement dated 31 August 2004 between CCL (1) SMT (2) and Henry Lafferty (3) pursuant to which CCL agreed to issue 3,863,072 ordinary shares of £1 each to SMT and 382,090 ordinary shares of £1 each to Henry Lafferty in consideration of the transfer by each of SMT and Henry Lafferty of their respective shares in SMP and PFP to CCL. The agreement contains normal commercial warranties given by SMT and Henry Lafferty.
- 8.4 The Share Exchange Agreement dated 31 July 2006 between the Company (1) SMT (2), Asgard (3) and Henry Lafferty (4) pursuant to which SMT, Asgard and Henry Lafferty transferred the entire issued share capital of CCL to the Company in consideration for the issue and allotment of 258,055,080 ordinary shares each of 0.1p to SMT, the issue and allotment of 423,378,400 ordinary shares of 0.1p each to Asgard and the issue and allotment of 25,524,280 ordinary shares of 0.1p each to Henry Lafferty. Warranties were given by SMT, Asgard and Henry Lafferty as regards capacity and title to such shares.

- 8.5 A share subscription and shareholders' agreement dated 31 August 2004 between CCL (1) Asgard (2) SMT (3) Henry Lafferty (4) Dr Michael Sinclair (5) and Paul Stacey (6) pursuant to which, Asgard subscribed 7,500,000 "A" ordinary shares of £1 each in CCL for £7,500,000 and Asgard procured that CareCapital Ltd would enter into the Loan Agreement as defined and detailed below. The agreement also contains provisions governing the relationship between the shareholders. The agreement was terminated on 31 July 2006.
- 8.6 A loan agreement dated 31 August 2004 between CCL and Valhalla pursuant to which Valhalla made available to CCL a facility of up to £3,819,126.18 ("the Loan Agreement"). Monies advanced pursuant to the Loan Agreement are repayable on the earlier of 25 January 2007 or the winding up of Asgard, Valhalla or CCL. The interest rate payable under the loan is based on a 3 year Euro swap rate as at 26 August 2004 (being 2.982 per cent.) plus 3.25 per cent. per annum. As at the date of this document the amount outstanding under the Loan Agreement is approximately €4.28 million (approximately £2.938 million) which will be repaid out of the net proceeds of the Placing and the Group's existing cash resources.
- 8.7 An agreement between CareCatalyst (1), SUHT (2) and SMT (3) dated 9 June 2003 ("the Hospital Agreement"). Pursuant to this agreement, CareCatalyst agreed to carry out the refurbishment of the Southampton Hospital and thereafter the provision of a residential facility for out-patients of Southampton General Hospital and the Royal South Hants Hospital. The contract was for a 5 year term with SUHT agreeing to pay certain amounts to CareCatalyst in annual instalments. The commercial terms of the contract are subject to a confidentiality provision. In accordance with the terms of the contract, on 12 May 2006, SUHT gave CareCatalyst notice in writing to terminate the Hospital Agreement on 15 November 2006.
- 8.8 On 30 August 2004, Jarvis Plc (1) SMP (2) Henry Lafferty (3) and SMT (4) entered into an agreement for the sale of Jarvis Plc's shares in PFP to SMP and Henry Lafferty. Pursuant to the agreement, Jarvis sold its shareholding of 968,971 A ordinary shares and 1,440,000 8 per cent. convertible preference shares in PFP to SMP and Henry Lafferty as follows:

<i>Shareholder</i>	<i>No of A ordinary shares in PFP</i>	<i>No of 8% convertible preference shares in PFP</i>
SMP	813,936	1,209,600
Henry Lafferty	155,035	230,400

The consideration for the sale of the shares was £1 payable as to 50p by SMP and 50p by Henry Lafferty. Pursuant to the agreement Jarvis Plc assigned to PFP the sum of £2,609,814.55 in respect of indebtedness then owed by PFP to Jarvis, in consideration of the payment of £1,700,000 made to Jarvis Plc by PFP. The warranties under the agreement are limited to warranties as to title, claims against PFP, and that all material information regarding PFP has been made available by Jarvis to SMP and Henry Lafferty.

- 8.9 On 31 July 2006, CCL entered into an agreement with Asgard to buy back 1,162,061 deferred shares of £0.01 each held by Asgard in the issued share capital of CCL in accordance with the Act, the consideration for which was the aggregate payment of 1 pence.
- 8.10 On 31 July 2006, Daniel Stewart and the Company entered into the Daniel Stewart Option, pursuant to which Daniel Stewart has been granted, conditional on Admission, the right to subscribe for up to 767,540 new Ordinary Shares, being 1 per cent. of the Enlarged Issued Share Capital at 30 pence per share. The Daniel Stewart Option is exercisable in whole or in part at any time on or before the fifth anniversary of Admission.
- 8.11 On 20 February 2006, CareCapital Limited entered into an agreement with Ubiquity Capital Partners Limited ("Ubiquity") for the provision of consultancy services by Ubiquity to CCL. Pursuant to the terms of the agreement, CCL is to pay Ubiquity a monthly retainer of £15,000. The agreement is terminable by either party giving one month's notice in writing.

- 8.12 The Vendor Placing Agreement dated 31 July 2006 between Asgard (1) Daniel Stewart (2) and the Company (3) pursuant to which Daniel Stewart has agreed conditionally upon Admission taking place by no later than 4 August 2006 (or such later date as the Company and Daniel Stewart may agree not being later than 4 September 2006) to use its reasonable endeavours to procure purchasers for the Sale Shares. Under the terms of the agreement Asgard has agreed to pay Daniel Stewart a commission of the value of the Sale Shares purchased at the Placing Price. The Vendor Placing Agreement contains certain warranties and undertakings given by Asgard. In addition Asgard has also undertaken to the Company and Daniel Stewart (whilst it is broker to the Company), for a period of 12 months from the date of Admission and save only in limited circumstances, to dispose of any of the 22,974,981 Ordinary Shares which it will have on Admission in such orderly manner as Daniel Stewart may reasonably require with a view to maintaining an orderly market in the share capital of the Company.
- 8.13 The Henry Lafferty Lock-In Agreement dated 31 July 2006 between Henry Lafferty (1) Daniel Stewart (2) and the Company (3) whereby Henry Lafferty has undertaken to the Company and Daniel Stewart (whilst it is broker to the Company), that for a period of 12 months from the date of Admission, he will not dispose of 50 per cent. of the Ordinary Shares which he will have on Admission (being 1,295,319 Ordinary Shares) (other than in limited circumstances) and that during such 12 month period he will only dispose of any of the balance of his Ordinary Shares (being 1,295,319 Ordinary Shares) in such orderly manner as Daniel Stewart may reasonably require with a view to maintaining an orderly market in such share capital of the Company.

9. MEMORANDUM AND ARTICLES OF ASSOCIATION

- 9.1 The Company's primary object is that of a trading commercial company.
- 9.2 The Articles of Association of the Company contain provisions *inter alia*, to the following effect:

9.2.1 Share capital

The Company may by ordinary resolution:

- 9.2.1.1 increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- 9.2.1.2 consolidate its share capital into shares of larger amounts than its existing shares;
- 9.2.1.3 cancel any shares which have not been taken at the date of the passing of the resolution, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- 9.2.1.4 sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum of Association of the Company.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

9.2.2 Voting

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or by proxy not being himself a member or (being a corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply

with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

9.2.3 *AGM & EGM Procedures*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. Subject to the provisions of the Act, the annual general meeting shall be held at such time and place as the Directors may determine.

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by Section 368 of the Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except as stated by the requisition or proposed by the Board.

Subject to the provisions of the Act, an annual general meeting and a general meeting for the passing of a special resolution shall be called by at least twenty one clear days notice, and all other general meetings shall be called by at least fourteen clear days notice.

Shorter notice than that specified above may be deemed to have been given in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

9.2.4 *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid pro rata according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

There is no fixed date on which an entitlement to a dividend arises.

9.2.5 *Variation of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated either:

9.2.5.1 in such manner (if any) as may be provided by such rights; or

9.2.5.2 in the absence of any such provision, with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. To every such meeting all the provisions of the Articles of Association of the Company relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than 1m adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

9.2.6 *Transferability*

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Directors may decline, without giving any reason, to recognise any instrument of transfer unless:

9.2.6.1 the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;

9.2.6.2 the instrument of transfer is in respect of only one class of share;

9.2.6.3 the instrument of transfer is in favour of not more than four transferees; and

9.2.6.4 the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

9.2.7 *Directors of the Company*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternative directors) shall be not less than two and not more than eight. Subject to certain exceptions, a Director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

The directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of the business of the directors may be fixed by the directors, and unless so fixed at any other number shall be two.

Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes the chairman of the meeting shall have a second or casting vote. A director who is unable to attend any meeting of the directors and has not appointed an alternate director may authorise any other director to vote for him at the meeting, and in that event the director so authorised shall have a vote for each director by whom he is so authorised in addition to his own vote.

It shall not be necessary to give notice of a Board meeting to a Director who is absent from the United Kingdom unless he has requested the Board in writing that notices of Board meetings shall during his absence be given to him at any address in the United Kingdom.

Any Director or his alternate may validly participate in a meeting of the Board or a committee of the Board through the medium of conference telephone or any other form of communications equipment.

The directors may delegate any of their powers to committees consisting of at least one member of their body as they think fit, provided that at least one half of the members of any such committee shall be directors of the Company and no resolution of a committee shall be effective unless at least half of those present when it is passed are Directors or alternate Directors. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the directors. The meetings and proceedings of any such committee consisting of two or more directors shall be governed by the provisions of these Articles regulating the meetings and proceedings of the directors, so far as the same are applicable and are not superseded by any regulations imposed by the directors under this Article

Any remuneration paid for the services of the Directors, as fixed by the Company in general meeting, may be divided between the Directors as they shall agree or, failing agreement, equally and shall be deemed to accrue from day to day. The Company may remunerate a Director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring Director is eligible for re-election. In addition, any Director who as at the date of the relevant annual general meeting has been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting, and who in either case is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each Director (other than an alternate director) may appoint another Director or (subject to the approval of a majority of the Directors) any other person to be an alternate director of the Company, and may at any time remove an alternate director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any Director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

No person is capable of being appointed a Director of the Company if at the time of the appointment he has attained the age of 70.

9.2.8 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the gross asset value of the Group where gross asset value is defined

as total fixed plus total current assets as measured under UK GAAP or total current plus total non-current assets as measured under IFRS as appropriate.

9.2.9 *Distribution of assets on liquidation*

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the contributories.

9.2.10 *Uncertificated Shares*

The Directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

10. THE UNAPPROVED SHARE OPTION SCHEME AND THE OPTION REPLACEMENT DEEDS

A. *The Unapproved Share Option Scheme*

- 10.1 The Unapproved Share Option Scheme was adopted by the Board on 31 July 2006. As at the date of this document and on Admission other than pursuant to the Option Replacement Deeds, no options have been granted under the unapproved Share Option Scheme.
- 10.2 The Unapproved Share Option Scheme is not capable of approval by the Commissioner of HM Revenue and Customs under Chapter 8 of Part 7 of, and Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003.
- 10.3 Options are not transferable, nor are they pensionable. Options may normally be exercised before the tenth anniversary of the date of grant by the option holder, and will normally lapse on the expiry of the tenth anniversary after the date of grant.
- 10.4 Under the Unapproved Share Option Scheme, no exercise can be made unless or until the option holder has completed a minimum of one year's service with the Company. Performance conditions may be required to be met at the discretion of the Directors. Options will normally lapse on the expiry of the period of 6 months from the cessation of employment except at the absolute discretion of the Directors who may extend the period to 12 months in certain circumstances. However, in any event options will become exercisable for a period of 12 months on the death of an option holder.
- 10.5 Ordinary Shares issued pursuant to the exercise of options will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment. In all other respects the Ordinary Shares so allotted shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares in issue on the date of such allotment.
- 10.6 The exercise price of an option shall be determined by the Directors.
- 10.7 The option price may be adjusted in the event of a capitalisation issue or upon consolidation, subdivision or reduction of the Company's share capital, subject to the written certificate of the auditors that such adjustment is fair and reasonable and provided that no increase is made to the aggregate exercise price relating to any option.
- 10.8 The aggregate number of Ordinary Shares for which options may be granted under the Unapproved Share Option Scheme and together with the options otherwise granted (and remaining capable of exercise) to the Directors and employees at any time shall be further limited so that it shall not exceed 10 per cent. of the issued ordinary share capital of the Company at the relevant time when aggregated with any further options which are granted under any employee share scheme in respect of rights granted (and remaining capable of exercise) during the preceding 10 years.

- 10.9 The Board has the power to amend the provisions of the Unapproved Share Option Scheme provided that no amendment may materially affect the rights of an option holder in respect of an option granted prior to the amendment being made without the consent in writing of the option holder.

B. *The Option Replacement Deeds*

- 10.10 On 31 July 2006 the Option Replacement Deeds were entered into such that 7 employees of CCL surrendered their options to subscribe for an aggregate of 630,000 ordinary shares of £1 each in CCL at a subscription price of £1 per share in exchange for the grant of options to subscribe for an aggregate of 4,271,436 new Ordinary Shares in the Company at a subscription price of 15p per share.

- 10.11 The options granted under the Option Replacement Deeds are on the same terms as the Unapproved Share Option Scheme save that:

10.11.1 no exercise can be made unless the value of CCL's shares has increased by a minimum amount equal to an IRR of 20 per cent. from the date of grant, as the start date, and the date of exercise, as the end date. The IRR is defined as the Internal Rate of Return which is to be calculated on an annualised basis and determined by the Board having taken the advice of the Company's auditors;

10.11.2 they may be exercised at any time from 1 December 2007 until 1 December 2014, and may not be exercised after the tenth anniversary of the date of the grant of the option;

10.11.3 the exercise price is £0.15 per share.

11. LITIGATION

- 11.1 CCL is currently involved in a dispute with SUHT as to whether the cost of the services provided under the Hospital Agreement (as defined and described in paragraph 8.8 of this Part VII above) should be inclusive or exclusive of VAT. CCL has instructed lawyers in relation to the recovery of this money, but no formal proceedings have been issued at the date of this document. Under the terms of the Hospital Agreement, the parties are obliged to enter into a mediation before commencing any court proceedings. The Directors intend to pursue the claim but do not believe that the substance of the claim has a material effect on the net asset position of the Group.

- 11.2 Save as set out in paragraph 11.1 above, in the 12 months preceding the date of this document neither the Company nor any company in the Group has been engaged in and is not currently engaged in any governmental, legal or arbitration proceedings which have or may have a significant effect on the financial position of the Company or any company in the Group, no such proceedings are threatened against the Company or any company in the Group and, so far as the Directors and the Proposed Directors are aware, there are no such proceedings pending.

12. UNITED KINGDOM TAXATION

12.1 Introduction

The information in this section is based on the Directors' understanding of current tax law and HM Revenue and Customs practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident and ordinarily resident in the UK for tax purposes.

On issue, the Placing Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Placing Shares should continue to be treated as unquoted securities.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

12.2 *Capital Gains Tax (“CGT”)*

Shareholders who are not resident in the UK are not normally subject to UK capital gains tax unless the gain arises from a trade carried on in the UK. The following comments are therefore primarily directed towards UK resident shareholders.

12.2.1 *Disposals*

The disposal of shares is usually treated on a last in, first out basis for the purposes of calculating gains that are chargeable to tax.

12.2.2 *Taper Relief*

Taper relief applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a “business” or “non-business” asset. The scale of relief is enhanced for those assets that qualify as “business” assets. Business assets include shares in qualifying unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted.

During the period for which the shares are held the classification may change so that for part of the holding period, shares in the Company will be deemed to be non-business assets with the associated reduced scales of taper relief applicable. If this is the case, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

12.2.3 *CGT Gift Relief*

If shares in an AIM company, which is a trading company, or the parent company of a trading group, are transferred to a third party, other than at arm’s length, any deemed capital gain can be “held over”, i.e. the CGT liability is postponed until a subsequent arm’s length disposal by the transferee, who effectively inherits the transferor’s base cost. The relief must be claimed by both the transferor and the transferee within five years and ten months of the end of the relevant tax year in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years. If CGT gift relief is claimed, the effect of the claim is that the ownership for taper relief purposes starts again, with no taper relief in respect of the previous period of ownership being applicable.

Gift relief is not available on gifts to a trust where the donor can still receive any benefit from the trust.

12.2.4 *Inheritance Tax (“IHT”)*

Shares in qualifying AIM trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes takes place.

12.3 *Income Tax*

12.3.1 *Taxation of Dividends*

12.3.1.1 UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated notional tax credit, the tax credit for dividends paid being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder’s lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who

receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent of the gross amount. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as the top slice of income.

12.3.1.2 The notional tax credit is generally not repayable.

12.3.1.3 A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received from the company (unless the company is carrying on a trade of dealing in shares) and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

12.3.1.4 Shareholders not resident in the UK will not generally have any further UK tax to pay on dividends received by them as their UK tax liability will be treated as satisfied by the notional tax credit available. However, this may not be the case if other UK income is received during the same tax year. By virtue of double taxation agreements between the UK and other countries, some overseas shareholders may be able to claim relief for all or part of the tax credits carried by the dividends they receive from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

12.3.2 *Loss Relief*

If a loss arises on the disposal of shares in a qualifying unquoted trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year or both years. If a claim is made for both years, a claim in the current year, will be given priority to a claim for the previous year. Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years.

12.4 *Stamp Duty and stamp duty reserve tax*

Transfers or sales of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 50p per £100 or part thereof rounded up to the nearest £5 and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at that rate). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

13. WORKING CAPITAL

The Directors and the Proposed Directors are of the opinion that, having made due and careful enquiry and after taking into account the net proceeds of the Placing and the borrowing facilities available to the Group, the working capital available to the Group will, on Admission, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

14. GENERAL

14.1 The total expenses of or incidental to Admission and the Placing which are payable by the Company are estimated to amount to approximately £0.64 million (excluding value added tax). The Company has agreed to pay Daniel Stewart a commission at a rate based on the value of Placing Shares subscribed for at the Placing Price.

- 14.2 The total gross proceeds expected to be raised by the Placing is £1.5 million. The estimated net proceeds of the Placing accruing to the Company after deduction of commissions and expenses (excluding VAT) are £0.89 million.
- 14.3 Except as stated in this document, there are no significant investments in progress by the Company.
- 14.4 The Directors and the Proposed Directors are not aware of any exceptional factors that have influenced the Company's activities.
- 14.5 Except as stated in this document, the Directors and the Proposed Directors are not aware of any patents or other intellectual property rights, licences or commercial or financial contracts or new manufacturing processes which is material to the Group's business or profitability.
- 14.6 PKF (UK) LLP, who are registered as auditors by the Institute of Chartered Accountants in England and Wales have given and not withdrawn their consent to the issue of this document with the inclusion in it of their reports and references to their name in the form and context in which they respectively appear.
- 14.7 Daniel Stewart has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 14.8 Colliers Cre has given and not withdrawn its written consent to the issue of this document with the inclusion in it of their reports and references to its name in the form and context in which they respectively appear.
- 14.9 Except as disclosed in this document, there has been no significant change in the financial or trading position of CCL and its subsidiaries since 31 December 2005, the date to which the latest audited financial statements were made up, and the Company since 31 May 2006.
- 14.10 The Placing Price of 30 pence per Placing Share is at a premium of 29 pence for each new Ordinary Share above the nominal value of each new Ordinary Share.
- 14.11 Save as disclosed in this document, no person directly or indirectly (other than the Company's professional advisers referred to in this document and trade suppliers) has in the last 12 months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission, any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into contractual arrangements to receive the same from the Company at the date of Admission.
- 14.12 There is no Director or Proposed Director or member of a Director's or Proposed Director's family who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 14.13 The accounting reference date of the Company is 31 December.
- 14.14 So far as the Directors and the Proposed Directors are aware there are no known trends, uncertainties, demands or events that are reasonably expected to have a material effect on the Group's prospects for at least the current financial year.
- 14.15 There have been no dividends paid since the Company's incorporation.
- 14.16 No person has made a public takeover bid for the Company's issued share capital since its incorporation or in the current financial period and the Company is not aware of the existence of any takeover bid pursuant to the rules of the Code published by the Panel.
- 14.17 Upon Admission, SMT will be the registered holder of 34.12 per cent. and Asgard will be the registered holder of 29.93 per cent. of the issued share capital of the Company. In order to minimise the control which either SMT or Asgard may have by virtue of their respective shareholdings, the Board of Directors of the Company comprises at least three Directors, Steve Wilden, Lord Evans of Watford and Keith Gibbs, who are independent of each of SMT and Asgard. Save for this, as far as the Directors and the Proposed Directors are aware, the Company is not directly or indirectly

controlled by any one person and as far as the Directors and the Proposed Directors are aware there are no arrangements relating to the Group, the operation of which may at a subsequent date result in a change of control of the Company.

- 14.18 Saved as disclosed in Part III of this document and paragraph 14.28 below, the Group has not entered into any related party transactions.
- 14.19 As far as the Directors and the Proposed Directors are aware there are no arrangements relating to the Group, the operation of which may at a subsequent date result in a change of control of the Company.
- 14.20 Save as set out in this document, as far as the Directors and the Proposed Directors are aware there are no environmental issues that may affect the issuer's utilisation of its tangible fixed assets.
- 14.21 Save as disclosed in this document, the Company has no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- 14.22 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 14.23 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 4 September 2006, application monies will be returned to the Placees at their risk without interest.
- 14.24 The Directors have applied for the Existing Ordinary Shares and the Placing Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the Existing Ordinary Shares and the Placing Shares will be enabled for settlement in CREST following Admission. Placees who are system members may elect to have their Placing Shares allocated to them in uncertificated form through CREST.
- 14.25 It is expected that definitive share certificates will be despatched by hand or first class post by 10 August 2006. In respect of Ordinary Shares in uncertificated form it is expected that CREST stock accounts will be credited on 4 August 2006.
- 14.26 The Registrars are responsible for keeping and maintaining the Company's register of members.
- 14.27 Where information has been sourced from a third party, as far as the Directors and the Proposed Directors are aware and are able to ascertain from the information of that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.28 In the year ended 31 December 2005, the Group paid £236,658 (inclusive of VAT) to SMT, a company of which Michael Sinclair and Paul Stacey are directors and of which Michael Sinclair is interested in 80.72 per cent. of its share capital. The services which were provided during this period included the secondment of Paul Stacey to CCL, rent, rates and service charge expenses and administrative support. On 1 August 2005 Paul Stacey ceased being seconded to CCL and became an employee of CCL and on 24 November 2005 CCL entered into a property lease with a third party landlord. The Directors and Proposed Directors estimate that the fees which will be paid by the Group to SMT for the current financial year ending 31 December 2006 will be approximately £33,775 (inclusive of VAT).

16. AVAILABILITY OF THIS DOCUMENT

Copies of this document will be available from the date of this document free of charge to the public on any week day (Saturdays, Sundays and public holidays excepted) at the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London, EC2R 8DD until at least one month from Admission.

• July 2006

