

Registered in England No: 5028621

Investors in Health (C&T1) Limited

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2005**



**LD3
COMPANIES HOUSE**

L4GX2AAQ

**121
11/11/2005**

Investors in Health (C&T1) Limited

Contents

Directors' report	3
Directors' responsibilities	5
Independent auditors' report to the members	6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10

Investors in Health (C&T1) Limited

Directors' report

for the 17 month period ended 30 June 2005

The directors present their report and the audited financial statements of the company for the period ended 30 June 2005.

Principal activity and business review

The principal activity of the company is the development, construction and facilities management operation of two health facilities under the LIFT ("Local Improvement Finance Trust) programme which is promoted by the Department of Health and delivered through Partnerships for Health.

The scope of the scheme is for the delivery of a primary care centre in Colchester for the Colchester Primary Care NHS Trust and a community hospital in Harwich for the Tendring Primary Care NHS Trust.

The directors have reviewed the activities of the business for the period and the position as at 30 June 2005 and consider them to be satisfactory.

Results and dividends

The company was incorporated on 28 January 2004 and on 11 March 2004 changed its name from FUNDCO 66465-3 Limited to Investors in Health (C&T1) Limited. The company commenced trading on 7 July 2004.

The trading results for the 17 month period from incorporation to 30 June 2005 and the company's financial position at 30 June 2005 are shown in the attached financial statements.

The directors do not recommend the payment of a dividend for the period ended 30 June 2005.

Directors and their interests in shares of the company

The directors of the company who held office during the period and to the date of this report are listed below:

P A Cartwright	(appointed 7 July 2004)
S J Charlton	(appointed 13 July 2005)
J R Dolphin	(appointed 5 October 2005)
London Law Services Limited	(appointed & resigned 28 January 2004)
S O'Connell	(appointed 7 July 2004 & resigned 13 July 2005)
G J Richer	(appointed 7 July 2004 & resigned 5 October 2005)
A S Robertson	(appointed 28 January 2004 & resigned 17 November 2004)
J R Tilford	(appointed 28 January 2004)

None of the directors held any disclosable beneficial interests in the company at 30 June 2005, or at any time during the period.

Investors in Health (C&T1) Limited

Directors' report (continued)

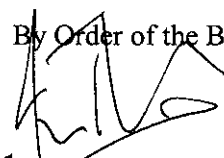
for the 17 month period ended 30 June 2005

Auditors

KPMG LLP have been appointed auditors of the company for the current period and in accordance with Section 385 of the Companies Act 1985, a resolution to re-appoint KPMG LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

Registered office:
6-8 Old Bond Street
LONDON
W1S 4PH

By Order of the Board


J.R. Tilford
Director

Approved by the directors on 27 October 2005.

Investors in Health (C&T1) Limited

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the period and of the profit or loss for the period then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Investors in Health (C&T1) Limited

Independent auditors' report to the members

We have audited the financial statements on pages 7 to 17.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants and Registered Auditor
London, England

Investors in Health (C&T1) Limited
Profit and loss account
for the 17 month period ended 30 June 2005

	Notes	£
Turnover	2	-
Cost of sales		(199,180)
Gross loss	3	(199,180)
Administrative expenses		(14,630)
Operating loss		(213,810)
Interest receivable	6	1,262,292
Interest payable and similar charges	7	(26,793)
Profit on ordinary activities before taxation		1,021,689
Tax on loss on ordinary activities	8	514,937
Profit for the financial period		<u>1,536,626</u>

All results are in respect of continuing activities.

The company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There are no differences between the amounts reported in the profit and loss account and their historical cost equivalents.

The notes on pages 10 to 17 form part of these accounts.

Investors in Health (C&T1) Limited

Balance sheet

as at 30 June 2005

	Notes	£
Fixed assets		
Tangible assets	10	<u>27,408,108</u>
Current assets		
Debtors:		
Amounts falling due within one year		451,494
Amounts falling due after one year		<u>887,775</u>
	11	1,339,269
Cash at bank and in hand	12	<u>16,008,756</u>
		17,348,025
Creditors: amounts falling due within one year	13	<u>(3,099,810)</u>
Net current assets		<u>14,248,215</u>
Total assets less current liabilities		41,656,323
Creditors: amounts falling due after one year	14	<u>(40,119,696)</u>
Net assets		<u>1,536,627</u>
Capital and reserves		
Called up share capital	15	1
Profit and loss account		<u>1,536,626</u>
Equity shareholders' funds	16	<u>1,536,627</u>

These financial statements were approved by the board of directors on 27 October 2005 and signed on its behalf by:



J R Tilford
Director

Investors in Health (C&T1) Limited

Cash flow statement

for the 17 month period ended 30 June 2005

	£	£
Reconciliation of operating loss to net cash flow from operating activities		
Operating loss		(213,810)
Increase in debtors		(824,332)
Increase in creditors		<u>3,148,593</u>

Net cash inflow from operating activities		<u>2,110,451</u>
--	--	------------------

Cash flow statement

Net cash inflow from operating activities		2,110,451
--	--	-----------

Returns on investments and servicing of Finance

Interest received	1,262,292	
Interest paid	<u>(2,505,779)</u>	
Net cash outflow from returns on investments and servicing of finance		(1,243,487)

Capital expenditure and financial investment

Purchase of tangible fixed assets		<u>(24,669,962)</u>
-----------------------------------	--	---------------------

Cash outflow before financing		(23,802,998)
--------------------------------------	--	--------------

Financing

Increase in bank loans	38,762,838	
Issue of ordinary share capital	1	
Issue of loan stock	1,750,000	
Loan issue expenses	<u>(701,085)</u>	
		<u>39,811,754</u>

Increase in cash in the period		<u>16,008,756</u>
---------------------------------------	--	-------------------

Reconciliation of net cash flow to movement in net debt

Increase in cash in the period	17	16,008,756
Cash outflow from increase in debt		<u>(40,512,838)</u>

Change in net debt and net debt at end of period	17	<u>(24,504,082)</u>
---	----	---------------------

Investors in Health (C&T1) Limited

Notes to the financial statements

for the 17 month period ended 30 June 2005

1. Accounting policies

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

Basis of preparation

These financial statements have been prepared under the historical cost convention, the accounting policies set out below, and in accordance with applicable accounting standards.

Turnover

Turnover, which excludes Value Added Tax, represents work done and services rendered.

Interest

Interest costs directly related to fixed assets in the course of construction are capitalised to those assets up to the point the asset is completed and available for use, after which interest costs are expensed to profit and loss account when incurred. Interest costs capitalised are based on the rate specific to borrowings which are funding the construction.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Fixed assets and depreciation

Tangible fixed assets comprise assets in the course of construction relating to the Private Finance Initiative project covered by the concession agreement between the company and the Colchester Primary Care Trust and Tendring Primary Care Trust. Tangible fixed assets are stated at original costs less accumulated depreciation. In the case of assets constructed by the company, related works and administrative overheads, commissioning costs and borrowing costs as per FRS 15 are included in cost. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date. Depreciation on such assets commences when the assets are commissioned.

Cost includes directly attributable finance costs.

Investors in Health (C&T1) Limited

Notes to the financial statements

for the 17 month period ended 30 June 2005

2. Analysis of turnover

All turnover is derived from the company's principal activity and originates in the United Kingdom.

3. Operating loss

Operating loss is stated after charging:

	2005 £
Auditors' remuneration	
- as auditors	10,000
- taxation services	4,500
	<u>14,500</u>

4. Directors remuneration

The directors received no emoluments in respect of their services to the company during the period.

5. Particulars of employees

The company had no employees during the period.

6. Interest receivable

	2005 £
Bank interest receivable	1,262,292
	<u>1,262,292</u>

7. Interest payable and similar charges

	2005 £
Amortisation of issue costs	26,793
	<u>26,793</u>

Investors in Health (C&T1) Limited

Notes to the financial statements

for the 17 month period ended 30 June 2005

8. Tax on loss on ordinary activities

	2005 £
(a) Tax on loss on ordinary activities	
United Kingdom corporation tax at 30%	-
Deferred taxation (note 9)	514,937
	<u>514,937</u>

(b) Factors affecting the tax charge for the current period

The current tax charge for the period differs from the standard rate of corporation tax in the UK of 30%. The differences are explained below:

Current tax reconciliation	2005 £
Profit on ordinary activities before tax	1,021,689
Current tax at 30%	(306,507)
Effects of:	
Capitalised interest	821,444
Deferred taxation (refer to note 9)	(514,937)
	<u>-</u>
Total current tax charge	<u>-</u>

(c) Factors that may affect future tax charges

The effective rate of taxation will vary as a result of losses carried forward to offset future profits.

9. Deferred taxation

	30 Jun 2005 £
Losses carried forward	514,937
	<u>514,937</u>
Balance at end of period	<u>514,937</u>

The deferred tax asset has been included in debtors (refer to note 11). There is no unprovided deferred tax.

Investors in Health (C&T1) Limited

Notes to the financial statements

for the 17 month period ended 30 June 2005

10. Tangible fixed assets

	Assets in the course of construction 30 Jun 2005 £
Cost and Net Book Value	
Additions and cost at end of period	27,408,108

Net book value includes capitalised interest of £2,738,146.

11. Debtors

	30 Jun 2005 £
Amounts due within one year:	
Other debtors	415,321
Prepayments and accrued income	36,173
	<u>451,494</u>
Amounts due after one year:	
Amounts owed by parent company	372,838
Deferred tax asset (note 9)	514,937
	<u>887,775</u>
	<u><u>1,339,269</u></u>

12. Cash at bank

Cash at bank includes monies held on deposit by The General Practice Finance Corporation Limited on behalf of the company having a balance of £12,400,000. Withdrawals from this bank account are restricted to items set out in the Credit Agreement with The General Practice Finance Corporation Limited and the company must satisfy certain requirements before being permitted to withdraw any amounts from this bank account.

13. Creditors: Amounts falling due within one year

	30 Jun 2005 £
Trade creditors	17,244
Amounts due to parent company	16,916
Other creditors	281,149
Accruals and deferred income	2,784,501
	<u>3,099,810</u>

Investors in Health (C&T1) Limited

Notes to the financial statements

for the 17 month period ended 30 June 2005

14. Creditors: Amounts falling due after one year

	30 Jun 2005
	£
Other creditors	281,150
Working capital facility	372,838
Bank loan	38,390,000
Loan stock	1,750,000
	40,793,988
Issue costs	(674,292)
	40,119,696

The bank loan has a fixed interest rate of 6.59% per annum. The working capital facility has a variable interest rate and is currently 6.25% per annum. The bank loan and working capital facility are secured in favour of The General Practice Finance Corporation Limited ("GPFC"), with fixed and floating charges over the company and its property and assets. The company has undrawn committed borrowing facilities of £6,237,162 expiring 30 June 2031.

The loan stock is unsecured and has an interest rate of 13.5%. As at 30 June 2005, there was unsubscribed loan stock of £1,250,000 maturing 31 March 2031.

	30 Jun 2005
	£
Debt can be analysed as falling due as follows:	
In one year or less	-
Between one and two years	184,616
Between two and five years	967,672
In five years or more	39,360,550
	40,512,838
Issue costs	(674,292)
	39,838,546

15. Called up share capital

Authorised share capital:	30 Jun 2005	
	Number	£
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid:	30 Jun 2005	
	Number	£
Ordinary shares of £1 each issued on 7 July 2005	1	1

Investors in Health (C&T1) Limited

Notes to the financial statements

for the 17 month period ended 30 June 2005

16. Reconciliation of movements in shareholders' funds

	30 Jun 2005 £
Profit for the financial period	1,536,626
Issue of share capital (refer to note 15)	<u>1</u>
Closing shareholders' funds	<u><u>1,536,627</u></u>

17. Analysis of net debt

	Cash flow and balance at 30 Jun 2005 £
Cash in hand and at bank	16,008,756
Debt falling due after one year	<u>(40,512,838)</u>
	<u><u>(24,504,082)</u></u>

18. Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2005 £
Contracted	<u><u>10,193,865</u></u>

Investors in Health (C&T1) Limited

Notes to the financial statements

for the 17 month period ended 30 June 2005

19. Related party transactions

During the year, the company had transactions in the ordinary course of business and on an arms length basis with companies which are related parties. Details of these transactions are set out below:

Related party	Relationship	Class of transaction	Expenditure/ (Income) For the period ended 30 Jun 2005 £	Creditor/ (Debtor) 2005 £
Realise Health Limited	100% shareholder	Management fee payable	199,180	16,916
		Initial management fee payable	300,000	-
		Unpaid share capital	-	(1)
		Loan receivable of £347,500 plus interest receivable	(25,338)	(372,838)
Mill Asset Management Group Limited	Wholly owned subsidiary of Mill Group UK Holdings Ltd	Sponsor fees and planning costs payable	475,000	-
		Reimbursement of bid costs	70,000	-
Investors in the Community Fund II LP	60% loan stock subscriber	Loan stock of £1,050,000 plus interest payable	139,420	1,189,420
Partnerships For Health Limited	20% loan stock subscriber	Loan stock of £350,000 plus interest payable	46,473	396,473
		Procurement support fee	88,125	-
Colchester Primary Care Trust	10% loan stock subscriber	Loan stock of £175,000 plus interest payable	23,237	198,237
Tendring Primary Care Trust	10% loan stock subscriber	Loan stock plus £175,000 plus interest payable	23,237	198,237

Investors in Health (C&T1) Limited

Notes to the financial statements

for the 17 month period ended 30 June 2005

20. Ultimate parent company

The largest group in which the results of the company are consolidated is that headed by IIC Projects Limited, a company registered in England and Wales. The accounts of this company are available to the public and may be obtained from Mill Group, 6-8 Old Bond Street, London, W1S 4PH.