

Registered in England No: 5028621

INVESTORS IN HEALTH (C&T1) LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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Investors in Health (C&T1) Limited

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Investors in Health (C&T1) Limited

Directors' report for the year ended 30 June 2007

The directors present their report and the audited financial statements of the company for the year ended 30 June 2007

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 the delivery of a primary care centre in Colchester and a community hospital in Harwich for the North East Essex Primary Care NHS Trust (Colchester Primary Care NHS Trust and Tendering Primary Care NHS Trust combined to form North East Essex Primary Care NHS Trust on 1 October 2006)

The construction works were completed on the Dovercourt and Harwich Hospital Development and the Colchester Primary Care Centre in November 2005 and February 2006 respectively and services commenced thereafter

The directors have reviewed the activities of the business for the year and the position as at 30 June 2007 and consider them to be satisfactory

Results and dividends

The trading results for the year to 30 June 2007 and the company's financial position at 30 June 2007 are shown in the attached financial statements. The company has made a loss during the year of £951,073 (2006 loss of £275,346) and the shareholders' funds at 30 June 2007 show a surplus of £310,208 (2006 surplus of £1,261,281)

The directors do not recommend the payment of a dividend for the year ended 30 June 2007 (2006 nil)

Political and charitable contributions

The company made no (2006 nil) political or charitable donations or incurred any (2006 nil) political expenditure during the year.

Investors in Health (C&T1) Limited

Directors' report (*continued*) for the year ended 30 June 2007

Directors and their interests in shares of the company

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

Name	Appointment date	Resignation date
P A Cartwright		7 December 2007
S J Charlton		14 November 2006
J R Dolphin		9 November 2007
M A McDerment	22 September 2006	
J R Tilford		20 November 2007
R T Cresswell	9 November 2007	
M Bushell	6 July 2007	22 November 2007
T B Symes	7 December 2007	

None of the directors held any disclosable beneficial interests in the company at 30 June 2007 (30 June 2006 nil), or at any time during the year

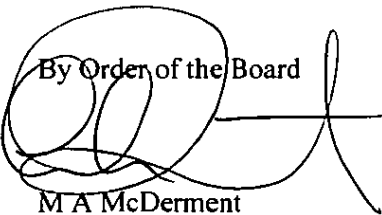
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

KPMG LLP have been appointed auditors of the company for the current year 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
c/o Investors in the Community
140 London Wall
London
EC2Y 5DN

By Order of the Board

M A McDerment
Director

Approved by the directors on 31 Jan 2008

Investors in Health (C&T1) Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Investors in Health (C&T1) Limited

We have audited the financial statements of Investors in Health (C&T1) Limited for the year ended 30 June 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 5.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

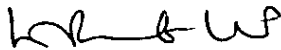
Investors in Health (C&T1) Limited

Independent auditors' report to the members of Investors in Health (C&T1) Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



KPMG LLP
Chartered Accountants
Registered Auditor

1 February 2008

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Investors in Health (C&T1) Limited

Profit and loss account for the year ended 30 June 2007

	Notes	2007 £	2006 £
Turnover	2	3,783,091	1,471,938
Cost of sales		(708,909)	(479,806)
Gross profit		3,074,182	992,132
Administrative expenses		(682,295)	(401,604)
Other operating income		3,971	-
Operating profit	3	2,395,858	590,528
Interest receivable	6	153,515	330,125
Interest payable and similar charges	7	(2,867,504)	(1,314,004)
Loss on ordinary activities before taxation		(318,131)	(393,351)
Tax on loss on ordinary activities	8	(632,942)	118,005
Loss for the financial period		(951,073)	(275,346)
Balance brought forward		1,261,280	1,536,626
Balance carried forward		310,207	1,261,280

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 11 to 18 form part of these accounts

Investors in Health (C&T1) Limited

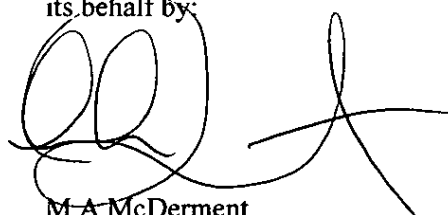
Balance sheet

as at 30 June 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	10	<u>38,299,645</u>	<u>38,829,064</u>
Current assets			
Debtors:			
Amounts falling due within one year		217,725	46,348
Amounts falling due after one year		<u>422,199</u>	<u>1,028,874</u>
	11	639,924	1,075,222
Cash at bank		<u>2,249,966</u>	<u>2,364,242</u>
		2,889,890	3,439,464
Creditors: amounts falling due within one year	12	<u>(927,729)</u>	<u>(834,995)</u>
Net current assets		<u>1,962,161</u>	<u>2,604,469</u>
Total assets less current liabilities		40,261,806	41,433,533
Creditors: amounts falling due after one year	13	<u>(39,951,598)</u>	<u>(40,172,252)</u>
Net assets		<u>310,208</u>	<u>1,261,281</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account		<u>310,207</u>	<u>1,261,280</u>
Equity shareholders' funds	15	<u>310,208</u>	<u>1,261,281</u>

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

31 Jan 2008 and signed on


M A McDerment
Director

Investors in Health (C&T1) Limited

Cash flow statement for the year ended 30 June 2007

Reconciliation of operating profit to net cash from operating activities

	Notes	2007 £	2006 £
Operating profit		2,395,858	590,528
Depreciation charge		624,141	358,341
(Increase) / decrease in debtors		(197,644)	373,367
Increase / (decrease) in creditors		2,500,897	(2,735,705)
Net cash inflow / (outflow) from operating activities		5,323,252	(1,413,469)

Cash flow statement

Cash inflow / (outflow) from operating activities	5,323,252	(1,413,469)
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Returns on investments and servicing of finance

Interest received	153,515	330,125
Interest paid	(2,840,711)	(855,356)
	(2,687,196)	(525,231)

Capital expenditure and financial investment

Purchase of tangible fixed assets	(239,954)	(11,779,297)
Sale of tangible fixed assets	145,232	-

Cash inflow / (outflow) before financing	2,541,334	(13,717,997)
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Repayment of bank loans	(2,655,610)	(163)
Issue of loan stock	-	73,646

Net cash (outflow) / inflow from financing	(2,655,610)	73,483
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Decrease in cash in the year	(114,276)	(13,644,514)
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Reconciliation of net cash flow to movement in net debt

Net debt at 1 July		(37,933,744)	(23,856,583)
Decrease in cash	17	(114,276)	(13,644,514)
Decrease / (increase) in debt		101,947	(405,854)
Change in net debt resulting from cash flows		(37,946,073)	(37,906,951)
Non-cash flows		(26,793)	(26,793)
Net debt at 30 June	17	(37,972,866)	(37,933,744)

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2007

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the 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 year 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

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

During the year, assets in the course of construction were completed and transferred to land and buildings and plant and machinery in the ratio of 75:25 in accordance with the finance model. Depreciation on these assets commenced accordingly

Tangible fixed assets are stated at original costs less accumulated depreciation. Cost includes directly attributable finance costs. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight line basis over the following useful economic life of that asset

Land and buildings – over remaining concession period (25 years)
Plant and machinery – over remaining concession period (25 years)

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2007

2. Analysis of turnover

Turnover comprises lease income derived from the lease of Colchester Primary Care Centre and Dovercourt and Harwich Hospital Development to North East Essex Primary Care Trust. All turnover originates in the United Kingdom.

3. Operating profit

Operating profit is stated after charging / (crediting)

	2007 £	2006 £
Auditors' remuneration		
- as auditors	10,500	10,000
- taxation services	5,000	4,500
Depreciation on tangible fixed assets	624,141	358,341

4. Directors' remuneration

The directors received no emoluments in respect of their services to the company during the year (2006 nil)

5. Particulars of employees

The company had no employees during the year (2006 nil)

6. Interest receivable

	2007 £	2006 £
Bank interest receivable	153,515	330,125

7. Interest payable and similar charges

	2007 £	2006 £
Interest payable on bank loans	2,553,663	1,165,989
Interest payable on loan stock	287,048	121,222
Amortisation of issue costs	26,793	26,793
	2,867,504	1,314,004

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2007

8. Tax on loss on ordinary activities

	2007 £	2006 £
(a) Tax on loss on ordinary activities		
Current tax		
United Kingdom corporation tax at 30% (2006 30%)	-	-
Deferred tax		
Deferred taxation (refer to note 9)	632,942	(118,005)
	<u>632,942</u>	<u>(118,005)</u>

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

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

Current tax reconciliation	2007 £	2006 £
Loss on ordinary activities before tax	(318,131)	(393,351)
Current tax at 30% (2006 30%)	(95,439)	(118,005)
Effects of		
Expenses not deductible for tax purposes	536	-
Capital allowances in excess of depreciation	(324,246)	-
Losses carried forward at 30% (2006 30%)	419,149	-
Deferred taxation	-	118,005
Total current tax charge	<u>-</u>	<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 As at 1 April 2008 the UK corporation tax rate will be reduced from 30% to 28%

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2007

9. Deferred taxation

	2007 £	2006 £
Balance at 1 July	632,942	514,937
Losses used for current year	-	10,503
Depreciation in excess of capital allowances	-	107,502
Write back of deferred tax asset	(632,942)	-
Balance at 30 June	-	632,942

A deferred tax asset of £nil (2006 £632,942) has been included in debtors (refer to note 11)

In 2007, no provision has been made for deferred tax, which at 28% (2006 30%) would be £969,528 (2006 632,942). No deferred tax asset has been recognised as the company does not anticipate taxable profits to arise within the immediate future.

10. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Assets in the course of construction £	Total £
Cost				
At 1 July 2006	31,861,312	7,326,093	-	39,187,405
Additions	-	-	239,954	239,954
Disposals	(145,232)	-	-	(145,232)
Transfers	179,965	59,989	(239,954)	-
At 30 June 2007	31,896,045	7,386,082	-	39,282,127
Depreciation				
At 1 July 2006	189,796	168,545	-	358,341
Charge for the year	333,428	290,713	-	624,141
At 30 June 2007	523,224	459,258	-	982,482
Net book value				
At 30 June 2007	31,372,821	6,926,824	-	38,299,645
At 30 June 2006	31,671,516	7,157,548	-	38,829,064

Net book value includes capitalised interest of £4,084,096 (2006 £4,253,969)

The company has a freehold interest in the land and buildings

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2007

11. Debtors

	2007 £	2006 £
Amounts falling due within one year:		
Amounts owed by immediate parent undertakings	79,219	-
Trade debtors	52,113	34,148
Other debtors	447	911
Prepayments and accrued income	85,946	11,289
	<u>217,725</u>	<u>46,348</u>
 Amounts falling due after one year:		
Amounts owed by immediate parent undertakings	422,199	395,932
Deferred tax	-	632,942
	<u>422,199</u>	<u>1,028,874</u>
	 <u>639,924</u>	 <u>1,075,222</u>

12. Creditors: amounts falling due within one year

	2007 £	2006 £
Bank loan	228,971	124,779
Loan stock	42,263	73,646
Trade creditors	135,368	61,412
Other creditors	103,743	82,633
Accruals and deferred income	417,384	492,525
	<u>927,729</u>	<u>834,995</u>

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2007

13. Creditors: amounts falling due after one year

	2007	2006
	£	£
Working capital facility	422,199	395,932
Bank loan	38,036,087	38,265,058
Loan stock	2,114,018	2,086,070
Accruals and deferred income	-	72,691
	<u>40,572,304</u>	<u>40,819,751</u>
Issue costs	(620,706)	(647,499)
	<u>39,951,598</u>	<u>40,172,252</u>

The bank loan has a fixed interest rate of 6.59% per annum. The working capital facility interest rate is the base rate plus 1.5% and is currently 7% (30 June 2006: 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 £6,312,743 (30 June 2006: £6,214,231) expiring 30 June 2031.

The loan stock is unsecured and has an interest rate of 13.5%. As at 30 June 2007, there was unsubscribed loan stock of £840,284 (30 June 2006: £840,284) maturing 31 March 2031.

	2007	2006
	£	£
Debt can be analysed as falling due as follows		
In one year or less	271,234	198,425
Between one and two years	323,523	271,301
Between two and five years	1,852,988	1,175,561
In five years or more	38,395,793	39,300,198
	<u>40,843,538</u>	<u>40,945,485</u>
Issue costs	(620,706)	(647,499)
	<u>40,222,832</u>	<u>40,297,986</u>

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2007

14. Called up share capital

Authorised share capital:		2007		2006	
	Number	£	Number	£	
Ordinary shares of £1 each	100	100	100	100	
Allotted, called up and fully paid:		2007		2006	
	Number	£	Number	£	
Ordinary shares of £1 each	1	1	1	1	

15. Reconciliation of movement in shareholders' funds

	2007	2006
	£	£
Opening shareholders' funds	1,261,281	1,536,627
Loss for the financial year	(951,073)	(275,346)
Closing shareholders' funds	310,208	1,261,281

16. Analysis of net debt

	2006	Cash flows	Non-cash flows	2007
	£	£	£	£
Cash in hand and at bank	2,364,242	(114,276)	-	2,249,966
Debt falling due within one year	(198,425)	(72,809)	-	(271,234)
Debt falling due after one year	(40,747,060)	174,756	-	(40,572,304)
Loan issue costs	647,499	-	(26,793)	620,706
	(37,933,744)	(12,329)	(26,793)	(37,972,866)

17. Commitments

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

	2007	2006
	£	£
Contracted	-	236,403

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2007

18. 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)		Creditor / (Debtor)	
			2007 £	2006 £	2007 £	2006 £
Realise Health Limited	100% shareholder	Management fee payable	316,287	268,854	26,357	22,405
		Partnering services	-	-	13,300	28,950
		Recharge of costs	-	-	26,356	5,447
		Loan receivable of £347,500 plus interest	(26,267)	(23,094)	(422,199)	(395,932)
		Proceeds on disposal of 423 Main Road	-	-	(145,232)	-
Investors in the Community Fund II LP	60% loan stock subscriber	Loan stock of £1,295,829 plus interest payable	172,228	72,734	1,293,769	1,339,444
Partnerships for Health Limited	20% loan stock subscriber	Loan stock of £431,943 plus interest payable	57,410	24,244	431,256	446,481
Colchester Primary Care Trust	10% loan stock subscriber	Loan stock of £215,972 plus interest payable	28,705	12,122	215,628	223,241
Tendring Primary Care Trust	10% loan stock subscriber	Loan stock of £215,972 plus interest payable	28,705	12,122	215,628	223,241

19. 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 140 London Wall, London, EC2Y 5DN