Registered in England No: 5028621

INVESTORS IN HEALTH (C&T1) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008



Investors in Health (C&T1) Limited

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Investors in Health (C&T1) Limited

Directors' report
for the year ended 30 June 2008

The directors present their report and the audited financial statements of the company for the year ended 30 June 2008.

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.

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 2008 and consider them to be satisfactory.

Results and dividends

The trading results for the year to 30 June 2008 and the company's financial position at 30 June 2008 are shown in the attached financial statements. The company has made a loss during the year of £488,912 (2007: £951,073) and the shareholders' funds at 30 June 2008 show a deficit of £178,704 (2007: surplus of £310,208).

The directors do not recommend the payment of a dividend for the year ended 30 June 2008 (2007: £nil).

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year (2007: £nil).

Going concern

The shareholders' funds at 30 June 2008 show a deficit of £178,704 (2007: surplus of £310,208). This arises from the early phase in the company's 27 year concession period. The company has a secured bank facility that will enable it to continue trading for the foreseeable future. The company is not in breach of its covenant terms. The directors have reviewed the forecast and believe that the financial position will strengthen in the future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

Principal risks and uncertainties

The company's revenue is based on a fixed price. Therefore, profit margins are susceptible to inflation rate fluctuations. In order to manage this risk, the company has ensured that costs are fixed wherever possible. In addition, under the terms of the contracts with sub-contractor, certain costs will be periodically reviewed, usually by means of benchmarking, with possibilities of price reductions being agreed in the future. In addition, in most cases, contractual costs will be subject to retail price index increases.

Investors in Health (C&T1) Limited

Directors' report
for the year ended 30 June 2008 *(continued)*

Principal risks and uncertainties *(continued)*

The design, installation, and facility management operations of health facilities are subcontracted out. Significant risks are passed down to the key subcontractors within limits set out as liability caps.

However, contractual default by these subcontractors or losses/deductions reaching the liability caps would transfer the risks back to the company.

Under the PFI project agreement with North East Essex Primary Care NHS Trust, any general change in law risk is transferred to the company. However, some risks are passed on to subcontractors, e.g. during the services phase this risk is transferred to the facility providers subcontractors under the facilities management contract.

Key performance indicators

The company's management produce comparisons of actual cash flows against forecast cash flows from the finance model and analyse any fluctuations.

The directors believe that there are any no other key performance indicators that require disclosure for an understanding of the development, performance or position of the business.

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
M Bushell	6 July 2007	22 November 2007
P A Cartwright		7 December 2007
R T Cresswell	9 November 2007	
J R Dolphin		9 November 2007
M A McDerment		
T B Symes	7 December 2007	
J R Tilford		20 November 2007
P Zollinger-Read	25 January 2008	

None of the directors held any disclosable beneficial interests in the company at 30 June 2008 (2007: £nil), or at any time during the year.

Investors in Health (C&T1) Limited

Directors' report *(continued)* for the year ended 30 June 2008

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

T B Symes
Director

Approved by the directors on 25 February 2009.

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.

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 2008 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 6.

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.

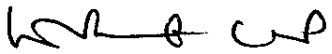
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

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 2008 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


February 2009

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Investors in Health (C&T1) Limited

Profit and loss account
for the year ended 30 June 2008

	Notes	2008 £	2007 £
Turnover	2	**3,952,566**	3,783,091
Cost of sales		**(1,046,419)**	(708,909)
Gross profit		**2,906,147**	3,074,182
Administrative expenses		**(717,010)**	(682,295)
Other operating income		**2,873**	3,971
Operating profit	3	**2,192,010**	2,395,858
Interest receivable	6	**165,877**	153,515
Interest payable and similar charges	7	**(2,846,799)**	(2,867,504)
Loss on ordinary activities before taxation		**(488,912)**	(318,131)
Tax on loss on ordinary activities	8	**-**	(632,942)
Loss for the financial period		**(488,912)**	(951,073)
Balance brought forward		**310,207**	1,261,280
Balance carried forward		**(178,705)**	310,207

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 12 to 20 form part of these accounts.

Investors in Health (C&T1) Limited

Balance sheet
as at 30 June 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	10	**37,675,137**	38,299,645
Current assets			
Debtors:			
Amounts falling due within one year		**407,762**	217,725
Amounts falling due after one year		**-**	422,199
	11	**407,762**	639,924
Cash at bank		**2,263,615**	2,249,966
		2,671,377	2,889,890
Creditors: amounts falling due within one year	12	**(1,293,533)**	(927,729)
Net current assets		**1,377,844**	1,962,161
Total assets less current liabilities		**39,052,981**	40,261,806
Creditors: amounts falling due after one year	13	**(39,231,685)**	(39,951,598)
Net (liabilities)/assets		**(178,704)**	310,208
Capital and reserves			
Called up share capital	14	**1**	1
Profit and loss account		**(178,705)**	310,207
Equity shareholders' (deficit)/funds	15	**(178,704)**	310,208

These financial statements were approved by the board of directors on 25 February 2009 and signed on its behalf by:

T B Symes
Director

Investors in Health (C&T1) Limited

Cash flow statement
for the year ended 30 June 2008

Reconciliation of operating profit to net cash from operating activities

	2008 £	2007 £
Operating profit	**2,192,010**	2,395,858
Depreciation charge	**625,093**	624,141
Decrease/(increase) in debtors	**232,162**	(197,644)
Increase in creditors	**314,023**	2,500,897
Net cash inflow from operating activities	**3,363,288**	5,323,252

Cash flow statement

Cash inflow from operating activities		**3,363,288**	5,323,252
Returns on investments and servicing of finance			
Interest received		**165,877**	153,515
Interest paid		**(2,798,697)**	(2,840,711)
		(2,632,820)	(2,687,196)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(585)**	(239,954)
Sale of tangible fixed assets		-	145,232
Cash inflow before financing		**729,883**	2,541,334
Repayment of bank loans		**(673,904)**	(2,655,610)
Decrease in loan stock		**(42,330)**	-
Net cash outflow from financing		**(716,234)**	(2,655,610)
Increase/(decrease) in cash in the year		**13,649**	(114,276)

Reconciliation of net cash flow to movement in net debt

Net debt at 1 July		**(37,972,866)**	(37,933,744)
Increase/(decrease) in cash	Note 16	**13,649**	(114,276)
Decrease in debt	Note 16	**694,925**	101,947
Change in net debt resulting from cash flows		**(37,264,292)**	(37,946,073)
Non-cash flows	Note 16	**(26,793)**	(26,793)
Net debt at 30 June		**(37,291,085)**	(37,972,866)

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2008

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

The shareholders funds at 30 June 2008 show a deficit of £178,704 (2007: surplus of £310,208). This arises from the early phase in the company's 27 year concession period. The company has a secured bank facility that will enable it to continue trading for the foreseeable future (refer to note 13). The company is not in breach of its covenant terms. The directors have reviewed the forecast and believe that the financial position will strengthen in the future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

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.

1. Accounting policies *(continued)*

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)

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

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:

	2008 £	2007 £
Auditors' remuneration		
- for the statutory audit of the company	**10,500**	10,500
- taxation services	**5,000**	5,000
Depreciation on tangible fixed assets	**625,093**	624,141

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2008

4. Directors' remuneration

The directors received no emoluments in respect of their services to the company during the year (2007: £nil).

5. Particulars of employees

The company had no employees during the year (2007: no employees).

6. Interest receivable

	2008 £	2007 £
Bank interest receivable	**165,877**	153,515

7. Interest payable and similar charges

	2008 £	2007 £
Interest payable on bank loans	**2,539,002**	2,553,663
Interest payable on loan stock	**279,490**	287,048
Other interest paid	**1,514**	-
Amortisation of issue costs	**26,793**	26,793
	2,846,799	2,867,504

8. Tax on loss on ordinary activities

	2008 £	2007 £
(a) Tax on loss on ordinary activities		
Current tax		
United Kingdom corporation tax	-	-
Deferred tax		
Deferred taxation (refer to note 9)	-	632,942
	-	632,942

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

The standard rate of corporation tax in the UK changed on 1 April 2008 from 30% to 28%. The average rate of 29.503% is used for the current tax charge for the year. The current tax charge for the year differs from the average rate of corporation tax of 29.503% (2007: 30%). The differences are explained below:

Current tax reconciliation	**2008 £**	**2007 £**
Loss on ordinary activities before tax	**(488,912)**	(318,131)
Current tax at 29.503% (2007: 30%)	**(144,244)**	(95,439)
Effects of:		
Expenses not deductible for tax purposes	**100,900**	536
Capital allowances in excess of depreciation	**(313,242)**	(324,246)
Losses carried forward	**211,427**	419,149
Group relief	**145,159**	-
Total current tax charge	**-**	-

(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

	2008 £	2007 £
Balance at 1 July	-	632,942
Write back of deferred tax asset	-	(632,942)
Balance at 30 June	-	-

As at 30 June 2008, no provision has been made for deferred tax, which at 28% (2007: 28%) would be £777,799 (2007: £969,528). 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 £	Total £
Cost			
At 1 July 2007	31,896,045	7,386,082	39,282,127
Additions	439	146	585
At 30 June 2008	**31,896,484**	**7,386,228**	**39,282,712**
Depreciation			
At 1 July 2007	523,224	459,258	982,482
Charge for the year	333,429	291,664	625,093
At 30 June 2008	**856,653**	**750,922**	**1,607,575**
Net book value			
At 30 June 2008	**31,039,831**	**6,635,306**	**37,675,137**
At 30 June 2007	31,372,821	6,926,824	38,299,645

Net book value includes capitalised interest of £3,864,601 (2007: £4,084,096).

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 2008

11. Debtors

	2008 £	2007 £
Amounts falling due within one year:		
Amounts owed by immediate parent undertakings	-	79,219
Trade debtors	**407,723**	52,113
Other debtors	**39**	447
Prepayments and accrued income	-	85,946
	407,762	217,725
Amounts falling due after one year:		
Amounts owed by immediate parent undertakings	-	422,199
	407,762	639,924

12. Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loan	**298,510**	228,971
Loan stock	**24,505**	42,263
Trade creditors	**43,242**	135,368
Other creditors	**131,833**	103,743
Accruals and deferred income	**795,443**	417,384
	1,293,533	927,729

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2008

13. Creditors: amounts falling due after one year

	2008	2007
	£	£
Working capital facility	-	422,199
Bank loan	**37,737,577**	38,036,087
Loan stock	**2,088,021**	2,114,018
	39,825,598	40,572,304
Issue costs	**(593,913)**	(620,706)
	39,231,685	39,951,598

The bank loan has a fixed interest rate of 6.59% per annum and is 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 £6,963,913 (2007: £6,312,743) expiring 30 June 2031.

The working capital facility interest rate is the base rate plus 1.5% and is currently 7.25% (2007: 7%) per annum. The working capital loan was repaid in full during the year.

The loan stock is unsecured and has an interest rate of 13.5%. As at 30 June 2008, there was unsubscribed loan stock of £840,284 (2007: £840,284) maturing 31 March 2031.

	2008	2007
	£	£
Debt can be analysed as falling due as follows:		
In one year or less	**323,015**	271,234
Between one and two years	**385,591**	323,523
Between two and five years	**1,687,004**	1,852,988
In five years or more	**37,753,003**	38,395,793
	40,148,613	40,843,538
Issue costs	**(593,913)**	(620,706)
	39,554,700	40,222,832

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2008

14. Called up share capital

Authorised share capital:	2008		2007	
	Number	£	Number	£
Ordinary shares of £1 each	100	100	100	100

Allotted, called up and fully paid:	2008		2007	
	Number	£	Number	£
Ordinary shares of £1 each	1	1	1	1

15. Reconciliation of movement in shareholders' (deficit)/funds

	2008	2007
	£	£
Opening shareholders' funds	**310,208**	1,261,281
Loss for the financial year	**(488,912)**	(951,073)
Closing shareholders' (deficit)/funds	**(178,704)**	310,208

16. Analysis of net debt

	2007	Cash flows	Non-cash flows	2008
	£	£	£	£
Cash in hand and at bank	2,249,966	**13,649**	-	**2,263,615**
Debt falling due within one year	(271,234)	**(51,781)**	-	**(323,015)**
Debt falling due after one year	(40,572,304)	**746,706**	-	**(39,825,598)**
Loan issue costs	620,706	-	**(26,793)**	**593,913**
	(37,972,866)	**708,574**	**(26,793)**	**(37,291,085)**

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2008

17. 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	Income / (expenditure) 2008 £	Income / (expenditure) 2007 £	Debtor / (Creditor) 2008 £	Debtor / (Creditor) 2007 £
Realise Health Limited	100% shareholder	Management fee payable	**(250,603)**	(316,287)	-	(26,357)
		Partnering services	-	-	-	(13,300)
		Recharge of costs	-	-	-	(26,356)
		Loan receivable of £347,500 plus interest	**22,735**	26,267	-	422,199
		Proceeds on disposal of 423 Main Road	-	-	-	145,232
Investors in the Community Fund II LP	60% loan stock holder	Loan stock of £1,226,243 plus interest payable	**(167,694)**	(172,228)	**(1,267,516)**	(1,293,769)
Partnerships for Health Limited	20% loan stock holder	Loan stock of £408,748 plus interest payable	**(55,898)**	(57,410)	**(422,505)**	(431,256)
North East Essex Primary Care NHS Trust	20% loan stock holder	Loan stock of £408,748 plus interest payable	**(55,898)**	(57,410)	**(422,505)**	(431,256)

18. 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.