

Registered in England No: 5028621

INVESTORS IN HEALTH (C&T1) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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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 2012

The directors present their report and the audited financial statements of the company for the year ended 30 June 2012

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 Community Health Partnerships

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 2012 and consider them to be satisfactory

Results and dividends

The trading results for the year to 30 June 2012 and the company's financial position at 30 June 2012 are shown in the attached financial statements. The company has made a profit during the year of £57,233 (2011 deficit of £183,549) and the shareholders' funds at 30 June 2012 show a surplus of £333,341 (2011 £275,608)

The directors do not recommend the payment of a dividend for the year ended 30 June 2012 (2011 £nil)

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year (2011 £nil)

Principal risks and uncertainties

The company's revenue is based on a fixed price, subject to adjustments for retail price index increases. 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 2012 (*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 lease plus 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 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.

	Appointed	Resigned
M A McDerment	01 September 2011	
T B Symes		
J Wood		
M T Hathaway	8 October 2012	
A Marr		8 October 2012

None of the directors held any disclosable beneficial interests in the company at 30 June 2012 (2011 £nil), or at any time during the year.

Investors in Health (C&T1) Limited

Directors' report for the year ended 30 June 2012 (*continued*)

Disclosure of information to auditor

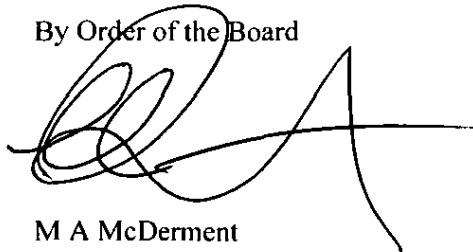
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he / she ought to have taken as a director to make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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

Registered office
3 Tenterden Street
London
W1S 1TD
United Kingdom

By Order of the Board

A handwritten signature in black ink, appearing to be 'M A McDerment', written over a horizontal line.

M A McDerment
Director

Approved by the directors on 7th Dec 2012

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 and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 auditor's 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 2012 set out on pages 9 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Andrew Marshall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountant
15 Canada Square
London
E14 5GL
United Kingdom

10 December 2012

Investors in Health (C&T1) Limited

Profit and loss account for the year ended 30 June 2012

	Notes	2012 £	2011 £
Turnover	2	4,493,361	4,280,319
Cost of sales		(881,219)	(970,105)
Gross profit		3,612,142	3,310,214
Administrative expenses		(685,239)	(673,056)
Other operating income		25,457	22,646
Operating profit	3	2,952,360	2,659,804
Interest receivable	6	40,388	18,558
Interest payable and similar charges	7	(2,716,183)	(2,750,362)
Profit/(loss) on ordinary activities before taxation		276,565	(72,000)
Tax on profit/(loss) on ordinary activities	8	(218,832)	(111,549)
Profit/(loss) for the financial year		57,733	(183,549)

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 financial statements

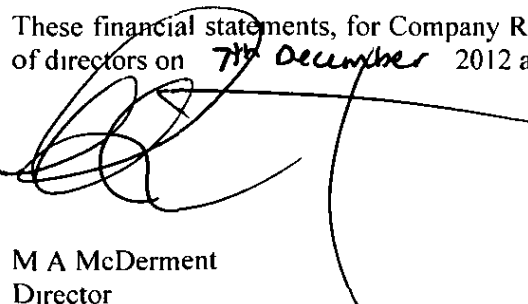
Investors in Health (C&T1) Limited

Balance sheet as at 30 June 2012

	Notes	2012 £	2011 £
Non current assets			
Tangible fixed assets	10	35,230,334	35,858,422
Debtors amounts falling due after one year	11	368,740	587,572
		<u>35,599,074</u>	<u>36,445,994</u>
Current assets			
Debtors amounts falling due within one year	11	331,079	132,600
Cash at bank		3,083,246	2,755,036
		<u>3,414,325</u>	<u>2,887,636</u>
Creditors: amounts falling due within one year	12	<u>(1,482,421)</u>	<u>(1,245,021)</u>
Net current assets		<u>1,931,904</u>	<u>1,642,615</u>
Total assets less current liabilities		<u>37,530,978</u>	<u>38,088,609</u>
Creditors: amounts falling due after one year	13	<u>(37,197,637)</u>	<u>(37,813,001)</u>
Net assets		<u>333,341</u>	<u>275,608</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	333,340	275,607
Equity shareholders' funds	16	<u>333,341</u>	<u>275,608</u>

The notes on pages 12 to 20 form part of these financial statements

These financial statements, for Company Registration number 5028621, were approved by the board of directors on 7th December 2012 and signed on its behalf by


M A McDerment
Director

Investors in Health (C&T1) Limited

Cash flow statement for the year ended 30 June 2012

	2012 £	2011 £
Reconciliation of operating profit to net cash from operating activities		
Operating profit	2,952,360	2,659,804
Depreciation charge	628,088	627,153
(Increase)/decrease in debtors	(198,479)	9,922
Increase in creditors	174,063	151,810
Net cash inflow from operating activities	3,556,032	3,448,689
Cash flow statement		
Cash inflow from operating activities	3,556,032	3,448,689
Returns on investments and servicing of finance		
Interest received	40,388	18,558
Interest paid	(2,689,390)	(2,723,569)
	(2,649,002)	(2,705,011)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(57,267)
Cash inflow before financing	907,030	686,411
Repayment of bank loans	(578,820)	(466,407)
Net cash outflow from financing	(578,820)	(466,407)
Increase in cash in the year	328,210	220,004
Reconciliation of net cash flow to movement in net debt		
Net debt at 1 July	(35,635,697)	(36,295,315)
Increase in cash	Note 17 328,210	220,004
Decrease in debt	Note 17 578,821	466,407
Change in net debt resulting from cash flows	(34,728,666)	(35,608,904)
Non-cash flows	Note 17 (26,793)	(26,793)
Net debt at 30 June	(34,755,459)	(35,635,697)

The notes on pages 12 to 20 form part of these financial statements

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2012

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, except as stated below

The following amendments to standards have been adopted in these financial statements for the first time which have not had a material impact on these financial statements

- Improvements to FRSs which applied to accounting periods starting on/after 1 January 2011
- FRS 8 Related Party Disclosures is amended to replace the definition of a related party with that set out in UK law

Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable UK Accounting Standards, the Companies Act 2006 and the accounting policies set out below

Going concern

The company has considerable financial resources together with long term business service providing development, construction and facilities management operations of health facilities for the North East Essex Primary Care NHS Trust. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements

Turnover

All turnover and profit on ordinary activities before taxation originates in the UK. Turnover is recognised in accordance with the finance debtor and long term contracts accounting policy below

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

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2012 (*continued*)

1. Accounting policies (*continued*)

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

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

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 working capital, restricted cash balances and deposits repayable 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

	2012 £	2011 £
Auditor's remuneration		
- for the statutory audit of the company	12,200	12,200
- taxation services	6,295	5,620
Depreciation on tangible fixed assets	628,088	627,153

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2012 (*continued*)

4. Directors' remuneration

The directors received no emoluments in respect of their services to the company during the year (2011 £nil)

5. Particulars of employees

The company had no employees during the year (2011 no employees)

6. Interest receivable

	2012	2011
	£	£
Bank interest receivable	40,388	18,558

7. Interest payable and similar charges

	2012	2011
	£	£
Interest payable on bank loans	2,417,302	2,451,119
Interest payable on loan stock	272,088	272,450
Amortisation of issue costs	26,793	26,793
	2,716,183	2,750,362

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2012 (*continued*)

8. Tax on loss on ordinary activities

	2012 £	2011 £
(a) Tax on loss on ordinary activities		
Current tax		
United Kingdom corporation tax	-	-
Deferred tax		
Deferred taxation (refer to note 9)	218,832	111,549
	<u>218,832</u>	<u>111,549</u>

Current tax reconciliation	2012	2011
	£	£
Profit/(Loss) on ordinary activities before tax	<u>276,565</u>	<u>(72,000)</u>
Current tax at 25.5% (2011: 27.5%)	<u>70,531</u>	<u>(19,801)</u>
Effects of		
Expenses not deductible for tax purposes	113,975	84,970
Capital allowances in excess of depreciation	(97,337)	(107,130)
Utilisation of tax losses and other deductions	<u>(87,169)</u>	<u>41,961</u>
Total current tax charge	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. The reduction to 23% (effective from 1 April 2013) was substantively enacted on 3rd July 2012. The further 1% reduction is expected to be included in a future Finance Bill. This will reduce the company's future current tax charge accordingly.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will reduce the company's future current tax charge accordingly.

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2012 *(continued)*

9. Deferred taxations

	2012 £	2011 £
Asset at beginning of year	587,572	699,121
Charged in the year	(218,832)	(111,549)
Asset at end of year	368,740	587,572

The deferred tax asset has been included in debtors due after more than one year (refer to note 11). There is no unprovided deferred tax.

10. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Total £
Cost			
At 1 July 2011	31,957,254	7,386,228	39,343,482
Additions	-	-	-
At 30 June 2012	31,957,254	7,386,228	39,343,482
Depreciation			
At 1 July 2011	1,859,126	1,625,934	3,485,060
Charge for the year	336,417	291,671	628,088
At 30 June 2012	2,195,543	1,917,605	4,113,148
Net book value			
At 30 June 2012	29,761,711	5,468,623	35,230,334
At 30 June 2011	30,098,128	5,760,294	35,858,422

Net book value includes capitalised interest of £3,185,111 (2011 £3,354,983)

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 2012 (*continued*)

11. Debtors

	2012	2011
	£	£
Amounts falling due within one year:		
Trade debtors	163,345	111,642
Other debtors	137,036	20,653
Prepayments and accrued income	30,698	305
	<u>331,079</u>	<u>132,600</u>
Amounts falling due after one year:		
Deferred tax	<u>368,740</u>	<u>587,572</u>

12. Creditors: amounts falling due within one year

	2012	2011
	£	£
Bank loan	621,268	562,406
Loan stock	19,801	15,326
Trade creditors	41,248	16,822
Amounts owing to parent undertakings	14,156	9,222
Corporation tax	1	1
Other creditors	617,125	478,213
Accruals and deferred income	168,822	163,031
	<u>1,482,421</u>	<u>1,245,021</u>

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2012 (*continued*)

13. Creditors: amounts falling due after one year

	2012	2011
	£	£
Bank loan	35,704,067	36,325,335
Loan stock	1,980,311	2,001,200
	<u>37,684,378</u>	<u>38,326,535</u>
Issue costs	(486,741)	(513,534)
	<u>37,197,637</u>	<u>37,813,001</u>

The bank loan has a fixed interest rate of 6.59% per annum and is secured in favour of AVIVA Public Private Finance Limited, with fixed and floating charges over the company and its property and assets

On 7 July 2004, the company issued £3,000,000 of unsecured subordinated loan stock due in 2031 paid at the amount of £1,750,000. The loan stock is subscribed for by North East Essex Primary Care Trust (20% share), Community Health Partnerships (20% share) and IIC II Nominees Limited (60%). The loan stock bears a coupon rate of 13.5%.

	2012	2011
	£	£
Debt can be analysed as falling due as follows:		
In one year or less	641,069	577,732
Between one and two years	698,495	641,232
Between two and five years	2,646,992	2,373,247
In five years or more	34,338,890	35,312,056
	<u>38,325,446</u>	<u>38,904,267</u>
Issue costs	(486,741)	(513,534)
	<u>37,838,705</u>	<u>38,390,733</u>

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2012 (*continued*)

14. Share capital

Allotted, called up and fully paid:	2012		2011	
	Number	£	Number	£
Ordinary shares of £1 each	1	1	1	1

15. Profit and loss account

	2012	2011
	£	£
Retained profit brought forward	275,607	459,156
Profit/(loss) for the financial year	57,733	(183,549)
Retained profit carried forward	333,340	275,607

16. Reconciliation of movement in shareholders' funds

	2012	2011
	£	£
Opening shareholders' funds	275,608	459,157
Profit/(loss) for the financial year	57,733	(183,549)
Closing shareholders' funds	333,341	275,608

17. Analysis of net debt

	2011	Cash flows	Non-cash flows	2012
	£	£	£	£
Cash in hand and at bank	2,755,036	328,210	-	3,083,246
Debt falling due within one year	(577,732)	(63,337)	-	(641,069)
Debt falling due after one year	(38,326,535)	642,158	-	(37,684,377)
Loan issue costs	513,534	-	(26,793)	486,741
	(35,635,697)	907,031	(26,793)	(34,755,459)

Investors in Health (C&T1) Limited

Notes to the financial statements for the year ended 30 June 2012 (*continued*)

18. Related party transactions

Investors in the Community LP subscribed 60% of the loan stock in the Company. Investors in the Community LP are a related party by virtue of sharing a common directorship, T B Symes. At the balance sheet date the Company owed Investors in the Community LP £1,240,459 (2011 £1,250,638) in unpaid loan stock and loan stock interest payable. During the year the Company paid £163,253 (2011 £163,470) in loan stock interest payable.

The Directors consider that Community Health Partnerships is a related party of the Company by virtue of its 20% shareholding in Realise Health Ltd, a member of the Investors in the Community LP group. Community Health Partnerships subscribed 20% of the loan stock in the Company. At the balance sheet date the Company owed Community Health Partnerships £413,486 (2011 £416,879) in unpaid loan stock and loan stock interest payable. During the year the Company paid £54,418 (2011 £54,490) in loan stock interest payable.

The Directors consider that North East Essex Primary Care NHS Trust is a related party of the Company by virtue of its 20% shareholding in Realise Health Ltd, a member of the Investors in the Community LP group. North East Essex Primary Care NHS Trust subscribed 20% of the loan stock in the Company. At the balance sheet date the Company owed North East Essex Primary Care NHS Trust £413,486 (2011 £416,879) in unpaid loan stock and loan stock interest payable. During the year the Company paid £54,418 (2011 £54,490) in loan stock interest payable.

During the year the Company paid £241,884 (2011 £230,331) to Realise Health Limited for asset management services. Realise Health Limited is a related party by virtue of sharing a common directorship, T B Symes, M A McDermott, J D Wood and M T Hathaway.

There were no other related party transactions entered into by the Company during the year. At the balance sheet date the Company had no commitments or contingent liabilities (2011 nil).

19. Ultimate parent company

The Directors regard IICF GP Limited, the general partner of the English limited partnership Investors in the Community LP, as the ultimate controlling parent entity.

The head of the largest and smallest group for which consolidated financial statements are prepared and of which the Company is a member is Investors in the Community LP. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary, 3 Tenterden Street, London, W1S 1TD.