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Company Registration No. 3209169 (England and Wales)

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HEALTH CARE PROJECTS HOLDINGS LIMITED
DIRECTORS' REPORT AND GROUP ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000



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HEALTH CARE PROJECTS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Sir Derek Boorman G N V Green T Pearson M A Fernandes
Secretary	R S West
Company number	3209169
Registered office	3 Cobden Court Wimpole Close Bromley BR2 9JF
Auditors	H. W. Fisher & Company Acre House 11-15 William Road London NW1 3ER
Bankers	National Westminster Bank Plc City of London 1 Prince's Street London EC2R 8PA

HEALTH CARE PROJECTS HOLDINGS LIMITED

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HEALTH CARE PROJECTS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000

The directors present their report and group accounts for the year ended 31 December 2000.

Principal activities

The principal activities of the Group are the provision of management services to companies involved in the management of Private Finance Initiative projects in the health care sector, and the development of hospital private patient units.

Review of business

The Group comprises Health Care Projects Holdings Limited and its subsidiary companies, Health Care Projects Limited and Health Care Projects (South Buckinghamshire) Limited.

The Group continues to manage existing projects in South Buckinghamshire, Greenwich and Hairmyres, where it receives management income under long term agreements. The Group also assists Innisfree Partners Limited, the major shareholder in the holding company, and its affiliates in bidding for PFI health care projects and receives fees for work undertaken.

During the year the Group incurred expenditure in respect of the construction of a private patients unit at the Wycombe Hospital in High Wycombe, South Buckinghamshire. In May 2000 the Group sold its interest in the private patients unit for a consideration of £902,500.

Restructuring

During the year the Group undertook a restructuring of its finances. The restructuring had the effect of eliminating the Group's interest bearing debt and its net worth deficit.

On 30 September 2000 Mr R J H Brook, a 'B' shareholder and 'B' loan note holder resigned his directorships of the Company and its subsidiaries and left the Group. The 11,333 'B' shares held by Mr Brook were acquired by the Company's 'A' shareholder Innisfree Partners Limited. The Company repaid the principal of the 'B' loan notes held by Mr Brook and Mr Brook waived his entitlement to the accrued interest.

At an Extraordinary General Meeting held on 19 October 2000 the Company's A and B shareholders approved the adoption of new Articles of Association and the conversion of all 'A' and 'B' shares into ordinary shares of £1 each. The Company's authorised share capital was increased to £2,500,000 by the creation of £2,499,000 new ordinary shares of £1. The Company repaid £517,125 of the principal of the 'A' and 'B' loan notes. The 'A' and 'B' loan note holders waived their entitlement to the interest accrued on the loan notes, and agreed to the conversion of the remaining loan note principal to equity on the basis of one £1 ordinary share for every £1 nominal of loan note.

The Company had loaned £1,190,120 to its subsidiary Health Care Projects Limited. The Company agreed to waive its entitlement to interest on this loan during the year. The loan was repaid in full during the year, funded by the issue to the Company by its subsidiary of 1,190,120 ordinary shares of £1 each at par.

Results and dividends

The group profit for the year after taxation amounted to £1,548,908.

HEALTH CARE PROJECTS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000

Directors and their interests

The directors at 31 December 2000 and their beneficial interests in the shares of the company and other group companies were:

	80,000 'A' Ordinary shares of 1p each	
	31 December 2000	1 January 2000
Sir Derek Boorman	-	-
G N V Green	-	-
T Pearson	-	-
M A Fernandes	-	-

	20,000 'B' Ordinary shares of 1p each	
	31 December 2000	1 January 2000
Sir Derek Boorman	-	1,000
G N V Green	-	7,667
T Pearson	-	-
M A Fernandes	-	-

	Ordinary shares of £ 1 each	
	31 December 2000	1 January 2000
Sir Derek Boorman	10	-
G N V Green	76,284	-
T Pearson	-	-
M A Fernandes	-	-

R J H Brook resigned as director on 30 September 2000.

M A Fernandes was appointed as a director on 20 October 2000.

Auditors

H. W. Fisher & Company were appointed auditors to the company. The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985. Therefore, the auditors, H. W. Fisher & Company, will be deemed to be reappointed for each succeeding financial year.

On behalf of the Board



R S West

Secretary

Dated: 31/01/01

HEALTH CARE PROJECTS HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period.

In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HEALTH CARE PROJECTS HOLDINGS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

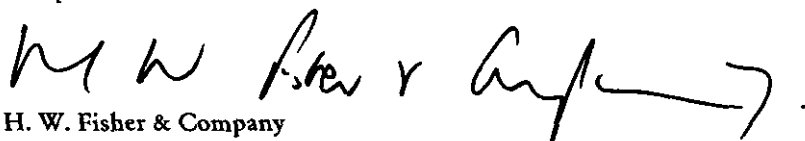
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's and the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's and the group's affairs as at 31 December 2000 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



H. W. Fisher & Company

Chartered Accountants
Registered Auditor
Acre House
11-15 William Road
London
NW1 3ER

Dated: 4/10/2001

HEALTH CARE PROJECTS HOLDINGS LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
Turnover		2,328,731	678,319
Cost of sales		(604,806)	-
Gross profit		1,723,925	678,319
Administrative expenses		(1,087,676)	(818,821)
Operating profit/(loss)	3	636,249	(140,502)
Interest on loan notes written back		875,558	-
Profit/(loss) on ordinary activities before interest		1,511,807	(140,502)
Other income	6	161,131	2,982
Interest payable and similar charges	7	(1,040)	(417,240)
Profit/(loss) on ordinary activities before taxation		1,671,898	(554,760)
Tax on profit/(loss) on ordinary activities	8	(122,990)	-
Profit/(loss) on ordinary activities after taxation		1,548,908	(554,760)
(Accumulated loss)/retained profit brought forward		(3,298,944)	(2,744,184)
Retained profit/(accumulated loss) carried forward		(1,750,036)	(3,298,944)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

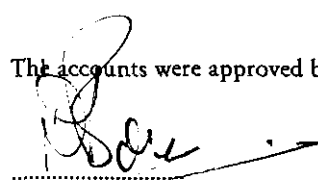
HEALTH CARE PROJECTS HOLDINGS LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2000

		Group		Company	
	Notes	2000 £	1999 £	2000 £	1999 £
Fixed assets					
Intangible assets	10	86,695	92,171	-	-
Tangible assets	11	50,311	65,169	-	-
Investments	12	-	-	1,314,221	124,101
		<u>137,006</u>	<u>157,340</u>	<u>1,314,221</u>	<u>124,101</u>
Current assets					
Stocks	13	-	443,302	-	-
Debtors	14	155,798	110,214	15,025	1,720,237
Cash at bank and in hand		640,397	86,505	48,380	15,962
		<u>796,195</u>	<u>640,021</u>	<u>63,405</u>	<u>1,736,199</u>
Creditors: amounts falling due within one year	15	<u>(278,992)</u>	<u>(150,456)</u>	<u>(478,924)</u>	<u>(42,500)</u>
Net current assets/(liabilities)		<u>517,203</u>	<u>489,565</u>	<u>(415,519)</u>	<u>1,693,699</u>
Total assets less current liabilities		<u>654,209</u>	<u>646,905</u>	<u>898,702</u>	<u>1,817,800</u>
Creditors: amounts falling due after more than one year	16	<u>(3,238)</u>	<u>(3,846,049)</u>	<u>-</u>	<u>(3,838,558)</u>
		<u><u>650,971</u></u>	<u><u>(3,199,144)</u></u>	<u><u>898,702</u></u>	<u><u>(2,020,758)</u></u>
Capital and reserves					
Called up share capital	17	2,302,207	1,000	2,302,207	1,000
Share premium account	18	98,800	98,800	98,800	98,800
Profit and loss account		<u>(1,750,036)</u>	<u>(3,298,944)</u>	<u>(1,502,305)</u>	<u>(2,120,558)</u>
Shareholders' funds - equity interests	19	<u><u>650,971</u></u>	<u><u>(3,199,144)</u></u>	<u><u>898,702</u></u>	<u><u>(2,020,758)</u></u>

The accounts were approved by the board on 31/01/01


Sir Derek Boorman
Director

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company and the group as a whole is a small group.

1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings made up to 31 December 2000. Intra-group sales and profits are eliminated fully on consolidation.

1.3 Turnover

Turnover represents the invoiced value of services provided net of VAT.

1.4 Goodwill

Acquired goodwill is capitalised and amortised over its useful economic life. The current value of the goodwill relates to the acquisition of Health Care Projects Limited and is being amortised over a period of 20 years.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	25% straight line
Computers and telephones	20% straight line
Fixtures and fittings	25% straight line
Motor vehicles	20% - 25% straight line

1.6 Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are treated as if they had been purchased outright at the present value of the rentals payable, less finance charges, over the primary period of the agreements. The corresponding obligations under these agreements are included in creditors. The finance element of the rentals payable is charged to the profit and loss account so as to produce a constant rate of charge on the outstanding balance in each period.

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.7 Investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

Current asset investments are stated at the lower of cost and market value.

1.8 Stock and work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit/(loss)	2000 £	1999 £
Operating profit/(loss) is stated after charging:		
Amortisation of intangible assets	5,475	5,475
Depreciation of owned tangible assets	26,186	24,534
Operating lease rentals	21,000	21,000
Auditors' remuneration (company £1,000; 1999 : £5,000)	8,000	15,000

4 Directors' emoluments	2000 £	1999 £
Aggregate emoluments	390,189	405,364
Company contributions to defined contribution pension schemes	56,908	49,653
Compensation for loss of office	30,000	-
	<u>477,097</u>	<u>455,017</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Aggregate emoluments	116,100	110,600
Company contributions to defined contribution pension schemes	17,700	17,920

5 Employees

Number of employees

The average weekly number of employees during the year was:

	2000 Number	1999 Number
Directors	5	5
Project and administration	8	8
	<u>13</u>	<u>13</u>

Employment costs

	£	£
Wages and salaries	736,502	480,092
Social security costs	74,650	51,098
Other pension costs	93,709	66,895
	<u>904,861</u>	<u>598,085</u>

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

6	Other income	2000	1999
		£	£
	Compensation received	128,571	-
	Other interest receivable and similar income	32,560	2,982
		<u>161,131</u>	<u>2,982</u>
7	Interest payable and similar charges	2000	1999
		£	£
	Interest payable on:		
	Bank loans and overdrafts	1,040	108
	Finance lease and hire purchase contracts	-	565
	Interest on loan notes	-	416,567
		<u>1,040</u>	<u>417,240</u>
8	Taxation		
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 30% (1999 - 0%)	122,990	-
9	Profit/(loss) for the financial year		
	As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these accounts. The profit/(loss) for the financial year is made up as follows:		
		2000	1999
		£	£
	Holding company's profit/(loss) for the financial year	<u>618,253</u>	<u>(286,955)</u>

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

10 Intangible fixed assets Group

	Goodwill £
Cost	
At 1 January 2000 and at 31 December 2000	109,052
Amortisation	
At 1 January 2000	16,882
Charge for year	5,475
At 31 December 2000	22,357
Net book value	
At 31 December 2000	86,695
At 31 December 1999	92,171

11 Tangible fixed assets Group

	Office Equipment £	Computers and telephones £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2000	4,107	43,648	25,869	50,650	124,274
Additions	-	18,825	-	-	18,825
Disposals	(680)	(18,699)	-	(10,000)	(29,379)
At 31 December 2000	3,427	43,774	25,869	40,650	113,720
Depreciation					
At 1 January 2000	3,048	26,641	17,800	11,618	59,107
On disposals	(680)	(18,699)	-	(2,505)	(21,884)
Charge for the year	1,059	9,982	5,978	9,167	26,186
At 31 December 2000	3,427	17,924	23,778	18,280	63,409
Net book value					
At 31 December 2000	-	25,850	2,091	22,370	50,311
At 31 December 1999	1,061	17,007	8,069	39,032	65,169

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

12 Fixed asset investments Company

	Unlisted investments £
Cost	
At 1 January 2000	124,101
Additions	1,190,120
At 31 December 2000	<u>1,314,221</u>
At 31 December 1999	<u>124,101</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Health Care Projects Ltd	England and Wales	Ordinary	100
Health Care Projects (South Buckinghamshire) Ltd	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves £	Profit for the year £
Health Care Projects Ltd	977,436	889,231
Health Care Projects (South Buckinghamshire) Ltd	<u>2,359</u>	<u>2,358</u>

The company had loaned £1,190,120 to its subsidiary Health Care Projects Limited. In October 2000 the company agreed to waive entitlement to interest arising on the loan after 31 December 1999 and to the conversion of the loan to equity on the basis of 1 ordinary £1 share for every £1 nominal of loan.

No provision has been made in respect of the diminution in value of the company's investment in Health Care Projects Limited, as this diminution is not considered permanent.

13 Work in progress

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Work in progress	<u>-</u>	<u>443,302</u>	<u>-</u>	<u>-</u>

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

14 Debtors

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	12,044	101,660	-	-
Amounts owed by group undertakings	-	-	-	1,718,237
Amounts owed by companies under common control	137,391	-	-	-
Other debtors	1,113	3,304	15,025	2,000
Prepayments and accrued income	5,250	5,250	-	-
	<u>155,798</u>	<u>110,214</u>	<u>15,025</u>	<u>1,720,237</u>

15 Creditors : amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans	4,482	3,833	-	-
Bank overdrafts	3,304	27	-	-
Trade creditors	25,087	11,949	6,943	-
Amounts owed to group undertakings	-	-	332,962	-
Corporation tax	122,990	-	118,519	-
Taxes and social security costs	38,639	49,881	-	-
Other creditors	-	12	-	-
Accruals and deferred income	84,490	84,754	20,500	42,500
	<u>278,992</u>	<u>150,456</u>	<u>478,924</u>	<u>42,500</u>

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

16 Creditors : amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans	3,238	7,491	-	-
'A' loan notes	-	3,503,664	-	3,503,664
'B' loan notes	-	334,894	-	334,894
	<u>3,238</u>	<u>3,846,049</u>	<u>-</u>	<u>3,838,558</u>
Analysis of loans				
Wholly repayable within five years	7,720	11,324	-	-
Included in current liabilities	(4,482)	(3,833)	-	-
	<u>3,238</u>	<u>7,491</u>	<u>-</u>	<u>-</u>
Between one and two years	3,238	4,482	-	-
Between two and five years	-	3,309	-	-
	<u>3,238</u>	<u>7,791</u>	<u>-</u>	<u>-</u>

During the year a capital restructuring took place resulting in the loan notes being converted to share capital. Further details are outlined in note 17.

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

17	Share capital	2000 £	1999 £
	Authorised		
	80,000 'A' Ordinary shares of 1p each	-	800
	20,000 'B' Ordinary shares of 1p each	-	200
	2,500,000 Ordinary shares of £ 1 each	2,500,000	-
		<u>2,500,000</u>	<u>1,000</u>
	Allotted, called up and fully paid		
	80,000 'A' Ordinary shares of 1p each	-	800
	20,000 'B' Ordinary shares of 1p each	-	200
	2,302,207 Ordinary shares of £ 1 each	2,302,207	-
		<u>2,302,207</u>	<u>1,000</u>

During the year, the company undertook a restructuring of its finances. The restructuring had the effect of eliminating its interest bearing debt and its net worth deficit. Details of the restructuring are set out below.

At an Extraordinary General Meeting held on 19 October 2000 the company's 'A' and 'B' shareholders approved the adoption of new Articles of Association and the conversion of all 'A' and 'B' shares into ordinary shares of £1 each. The company's authorised share capital was increased to £2,500,000 by the creation of 2,499,000 new ordinary shares of £1. The company agreed to repay £517,125 of the principal of the 'A' and 'B' loan notes. The 'A' and 'B' loan note holders agreed to waive their entitlement to the interest accrued on the loan notes, and to the remaining 'A' and 'B' loan note principal being converted to equity on the basis of one £1 ordinary share for every £1 nominal of loan note.

18 Statement of movements on reserves Group

	Share premium account
	£
Balance at 1 January 2000 and 31 December 2000	<u>98,800</u>

HEALTH CARE PROJECTS HOLDINGS LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

19 Reconciliation of movements in shareholders' funds	2000	1999
Group	£	£
Profit/(loss) for the financial year	1,548,908	(554,760)
New share capital subscribed	2,301,207	-
Net addition to/(depletion in) shareholders' funds	3,850,115	(554,760)
Opening shareholders' funds	(3,199,144)	(2,644,384)
Closing shareholders' funds	650,971	(3,199,144)

20 Contingent liabilities

The company has contingent liabilities amounting to £35,000 entered into in the normal course of business.

21 Commitments under operating leases

At 31 December 2000 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2000	1999
	£	£
Expiry date:		
Within one year	21,000	-
Between two and five years	-	21,000
	21,000	21,000

22 Transactions with directors

Both T Pearson and M Fernandes, directors of Health Care Projects Holdings Limited, are directors of the ultimate parent company, Innisfree Partners Limited. Innisfree Partners Limited owns a majority stake in the share capital of United Healthcare (South Buckinghamshire) Limited and 50% of the share capital of both Meridian Hospital Company Plc and HDGH Limited. In aggregate, the company made sales of £725,803 (1999:£493,552) to United Healthcare (South Buckinghamshire) Limited, HDGH Limited and Meridian Hospital Company Plc. The amount due in aggregate from United Healthcare (South Buckinghamshire) Limited, HDGH Limited and Meridian Hospital Company Plc to the company at 31 December 2000 was £43,639 (1999:£45,845).

23 Controlling parties

The directors consider the ultimate controlling party to be the board of directors of Health Care Projects Holdings Limited.

The ultimate parent company is Innisfree Partners Limited in its capacity as General Partner of the Innisfree Fund LP, a Limited Partnership incorporated in Great Britain and registered in England and Wales.