GRT Nottingham LIFT Project Company (No.2) Limited

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2010

Registered Number 04928314

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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DIRECTORS AND ADVISORS

Directors

T K Allen	(appointed 1 March 2010)
J Cassidy	(resigned 12 May 2009)
C H Dix	(appointed 20 January 2010)
T J Evans	(appointed 20 January 2010)
A Fillis	(appointed 25 January 2010)
W J Haughey	(appointed 20 January 2010, resigned 20 April 2010)
M G Heath	(appointed 20 January 2010)
J W Horton	(appointed 20 January 2010)
C A Reed	(appointed 9 September 2009)
L Scull	(appointed 20 January 2010)
P Tipping	(appointed 20 January 2010)

Company secretary and registered office
M Lewis
Allington House
150 Victoria Street
London SW1E 5LB

Auditors
Deloitte LLP
Chartered Accountants and Statutory Auditors
Nottingham

Solicitors
Denton Wilde Sapte LLP
One Fleet Place
London EC4M 7WS

Principal bankers
Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh EH2 2YB

DIRECTORS' REPORT

The Directors present the annual report and the audited financial statements for the year ended 31 March 2010

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

The Company is a wholly owned subsidiary of Grt Nottingham LIFT Midco (No 2) Limited

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is the provision and maintenance of primary health and social care facilities under 25 year Local Improvement Finance Trust agreements with the local NHS Primary Care Trusts and Councils Following Financial Close on the 5 March 2010, the Company has commenced the £27m construction of the Bulwell Health Campus, with practical completion programmed for November 2011 In the year, the Company issued 999 ordinary £1 shares at par

GOING CONCERN

Within Grt Nottingham Lift Project Company (No 2) Limited, there is only one scheme, Bulwell, which is currently in its construction phase The senior lender has provided a drawdown facility of £28 5m to finance the project together with subordinated debt provided by the Company's shareholders
The company's forecasts are based upon the financial close model until the building becomes operational, and then the half yearly financial models which are submitted to and approved by the company's funders in accordance with the company's senior debt facility agreements These generate a positive return for shareholders over the concession period, with costs and revenues that are mainly determined by long term contractual commitments RPI swaps are in place for the majority of costs and revenues, meaning variability of returns is limited provided that the company manages its operating budgets in accordance with the Financial Close models The company does not have exposure to movements in interest rates on its debt due to the use of interest rate swap contracts
The directors believe that the business is able to manage any business risks despite the current economic situation and have the resources to operate in the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual accounts

FUTURE DEVELOPMENTS

Following the completion of the construction of Bulwell in November 2011, the Company will receive lease plus rental income on a monthly basis from tenants, under arm's length commercial agreements for 25 years

RESULTS

The Company only contains one scheme which is currently undergoing the construction phase and all interest and operating costs are capitalised into the cost of the asset The company has therefore neither made a profit nor a loss in the period so accordingly, no profit and loss account is presented

The Directors do not recommend the payment of a dividend (2009 - £nil)

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks The company does not use derivative financial instruments for speculative purposes

Cash flow risk
The Company's activities expose it primarily to the financial risks of changes in interest rates The company uses interest rate swap contracts to hedge these exposures

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows

Credit risk
Currently, the company's principal financial assets are bank balances and cash

Once the company is in operation, the Company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows
The Company's exposure to credit risk is limited with the clients being public sector bodies

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance

DIRECTORS' REPORT (continued)

AUDIT INFORMATION

Each of the persons who is a director at the date of approval of this report confirms that

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

DIRECTORS

The Directors served throughout the period and to the date of the report, except as noted, are shown on page 1

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 8

AUDITORS

A resolution to re-appoint Deloitte LLP as auditors will be proposed at the forthcoming Annual General Meeting

On behalf of the Board

C H Dix
Director
21 June 2010

Allington House
150 Victoria Street
London, SW1E 5LB

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRT Nottingham LIFT PROJECT COMPANY (No 2) LIMITED

We have audited the financial statements of GRT Nottingham LIFT Project Company (No 2) Limited for the year ended 31 March 2010 which comprise the Balance Sheet and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

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 31 March 2010 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom 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

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
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors report

29 June 2010

Mark Doleman, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants & Statutory Auditors
Nottingham, UK

BALANCE SHEET AS AT 31 MARCH 2010

	Notes	2010	2009
		£	£
Fixed assets			
Tangible fixed assets	5	6,930,944	-
Current assets			
Debtors - due within one year	6	941,746	1
Cash at bank and in hand		791,396	-
		1,733,142	1
Creditors amounts falling due within one year	7	(745,654)	-
Net current assets		987,488	1
Total assets less current liabilities		7,918,432	1
Creditors amounts falling due after more than one year	8	(7,917,432)	-
Net assets		1,000	1
Capital and reserves			
Called up share capital	10	1,000	1
Profit and loss account		-	-
Shareholder's funds	11	1,000	1

The financial statements of GRT Nottingham LIFT Project Company (No 2) Limited, registered number 04928314 were approved and authorised for issue by the Board of Directors on 21 June 2010 and were signed on its behalf by

C H Dix
Director

Notes to the financial statements for the year ended 31 March 2010

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the current and prior year in dealing with items which are considered material in relation to the Company's financial statements

Within Grt Nottingham Lift Project Company (No 2) Limited, there is only one scheme, Bulwell, which is currently in its construction phase The senior lender has provided a drawdown facility of £28 5m to finance the project together with subordinated debt provided by the Company's shareholders
The Company's forecasts are based upon the financial close model until the building becomes operational, and then the half yearly financial models which are submitted to and approved by the Company's funders in accordance with the company's senior debt facility agreements These generate a positive return for shareholders over the concession period, with costs and revenues that are mainly determined by long term contractual commitments RPI swaps are in place for the majority of costs and revenues, meaning variability of returns is limited provided that the company manages its operating budgets in accordance with the Financial Close models The company does not have exposure to movements in interest rates on its debt due to the use of interest rate swap contracts

The directors believe that the business is able to manage any business risks despite the current economic situation and have the resources to operate in the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual accounts

a) Basis of preparation of accounts
The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards

The company is exempt under FRS 1 from preparing a cash flow statement on the basis that it qualifies as a small company

b) Turnover
Turnover represents lease plus rentals and third party revenue receivable for periods of tenancy net of VAT and arises in the United Kingdom Operating lease rentals are recognised on a straight line basis over the lease term

c) Interest and fees
Interest costs and fees on borrowings used to fund the construction of the facilities are included within assets in the course of construction during the construction period

d) Operating costs
Operating costs incurred during the construction of the accommodation are included within assets in the course of construction during the construction period Following practical completion, operating costs are charged to the profit and loss account based on the final construction costs of each building

e) Tangible fixed assets and depreciation
Tangible fixed assets comprise assets in the course of construction Assets in the course of construction are not depreciated until practical completion is reached All relevant costs (land, construction cost, operating costs, interest and fees) will be capitalised at practical completion of the scheme, and will be depreciated on a straight line basis over 25 years to the expected residual value

f) Taxation
Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

In accordance with FRS 19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax assets are not discounted

g) Bank Borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account

2 PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST

Grt Nottingham LIFT Company Limited has incurred the audit fees of the Company of £3,000 (2009 - £nil), which have been recovered from this Company as part of the wider management services recharges

3 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current or prior year The Company is managed by secondees from the shareholders

Notes to the financial statements for the year ended 31 March 2010 (continued)

4 STAFF NUMBERS

There are no employees in the current or prior period The Directors are shown on page 1

5 TANGIBLE FIXED ASSETS

	Assets in the course of construction	Total
	2010	2009
	£	£
Cost		
As at 1 April 2009	-	-
Additions	6,930,944	6,930,944
As at 31 March 2010	6,930,944	6,930,944
Net book value		
As at 31 March 2010	**6,930,944**	6,930,944
As at 1 April 2009	-	-

6 DEBTORS: DUE WITHIN ONE YEAR

	2010	2009
	£	£
Amounts owed by parent undertakings	-	1
Other taxation and social security	**941,746**	-
	941,746	1

7 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Trade creditors	**17,625**	-
Amounts owed to fellow parent undertaking	**12,567**	-
Accruals and deferred income	**715,462**	-
	745,654	-

8 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010	2009
	£	£
Bank loans	**5,340,179**	-
Amounts owed to parent undertaking	**2,327,253**	-
Deferred income	**250,000**	-
	7,917,432	-

Debt (including amounts owed to parent undertaking) can be analysed as falling due

	2010	2009
	£	£
Between one and two years	**3,185,576**	-
Between two and five years	**72,391**	-
In five years or more	**5,050,841**	-
	8,308,808	-
Arrangement fees	**(641,376)**	-
	7,667,432	-

Notes to the financial statements for the year ended 31 March 2010 (continued)

9 LOANS

Interest on the senior loan facilities from The Royal Bank of Scotland of £28 5 million is charged at LIBOR plus a maximum margin of 2 50% The company does not hold or issue derivative financial instruments for speculative purposes

The loans with repayment due beyond five years currently attract interest between 0 54% above LIBOR to 12 50% and the final repayment will be made in November 2036 The repayments profile involves payments every six months based on an increasing percentage of the original loan as the age of the loan increases

The senior bank loans are secured by a first floating charge over the assets of the company under a debenture agreement dated 5 March 2010 Amounts owed to the parent undertaking includes the sum of £2,312,328 for subordinated debt, provided by Grt Nottingham LIFT Midco (No 2) Limited This loan is unsecured

The company has entered into fixed interest rate swaps at rates of 4 53% and 4 82%% to mitigate its interest exposure which have a negative fair value at 31 March 2010 of £1,397,202 (2009 - £nil)

In addition, the company has entered into RPI swap agreements at rates of 3 20% to mitigate its risk in respect of inflation linked income which have a negative fair value at 31 March 2010 of £1,488,053 (2009 - £nil)

10 CALLED UP SHARE CAPITAL

	2010	2009
	£	£
Authorised		
1000 Ordinary "A" Share at £1 each	1,000	100
	1,000	100
Opening allotted and called up at £1 each	£	£
1 Ordinary "A" share at £1 each	1	1
Allotted and called up in the year		
999 Ordinary "A" shares at £1 each	999	-
Closing allotted and called up at £1 each		
1000 Ordinary "A" share at £1 each	1,000	1

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2010	2009
	£	£
Opening shareholder's funds	1	1
Issue of share capital	999	-
Closing shareholder's funds	1,000	1

12 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

At 31 March 2010, the Company is committed to remaining design and construction costs of £18,637,004 (2009 - £nil) payable to Laing O'Rourke Construction Limited under the Design and Construction Contract relating to the Greater Nottingham LIFT Project between GRT Nottingham LIFT Project Company (No 2) Limited and Laing O'Rourke Construction Limited

At 31 March 2010, the Company is committed to an amount of £6,296,082 (2009 - £nil) payable to John Laing Integrated Services Limited, under Facilities Provision Contracts dated 5 March 2010 relating to the Greater Nottingham LIFT project between GRT Nottingham LIFT Project Company (No 2) Limited and John Laing Integrated Services Limited

Contingent Liabilities

There were no known contingencies at 31 March 2010 (2009 - £nil)

Notes to the financial statements for the year ended 31 March 2010 (continued)

13 TRANSACTIONS WITH RELATED PARTIES

The following party is a related party as it is the shareholder of Grt Nottingham LIFT Project Co (No 2) Limited Grt Nottingham Lift Midco (No 2) Limited

The following are related parties as they are indirect shareholders or fellow subsidiary undertakings Bank of Scotland plc, John Laing Social Infrastructure Limited, Grt Nottingham LIFT Company Limited, Grt Nottingham LIFT Project Company (No 1) Limited, Primary Plus (Holdings) Limited, Primary Plus Limited, Community Health Partnerships Limited, Nottingham City Primary Care Trust, Nottingham City Council and Nottinghamshire County Teaching Primary Care Trust

There were related party transactions with the following parties

	2010 £	2009 £
Other Balances		
Intercompany creditor - Grt Nottingham LIFT Midco (No 2) Limited	(2,327,253)	-
Intercompany creditor - Grt Nottingham LIFT Company Limited	(12,567)	-

Purchase of assets and services from related parties during the year

Related Party	**Nature**	2010 £	2009 £
Grt Nottingham LIFT Company Limited	Services	1,046,385	-
Grt Nottingham LIFT Company Limited	Land	185,000	-
Primary Plus Limited	Services	31,000	-
Primary Plus Limited	Land	456,871	-

14 ULTIMATE AND IMMEDIATE PARENT UNDERTAKING

GRT Nottingham Lift Midco (No 2) Limited is the immediate parent undertaking The Company's ultimate parent and controlling party, and the largest and smallest group in which its results are consolidated, is Primary Plus (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales Copies of the consolidated accounts of Primary Plus (Holdings) Limited are available from its registered offices at Allington House, 150 Victoria Street, London, SW1E 5LB