

# **EQUION HEALTH (BARTS) LIMITED**

**DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2007**



**Registered Number 5489821**

# **EQUION HEALTH (BARTS) LIMITED**

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## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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**DIRECTORS AND ADVISERS**

**Directors**

P Cuttance

J Eldridge - appointed 1 November 2007

D Hardy

S Lowry - resigned 1 November 2007

C Waples - appointed 1 December 2007

R Weston - resigned 1 December 2007

**Company secretary and registered office**

R Miller

Allington House

150 Victoria Street

London SW1E 5LB

**Auditors**

Deloitte & Touche LLP

Chartered Accountants

London

**Principal bankers**

National Westminster Bank Plc

Brecon Branch

27 High Street

Brecon

Powys

LD3 7LF

## DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the year ended 31 December 2007

The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

## BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is owned 50/50 by John Laing Social Infrastructure Limited (JLSI) (formerly Equion Limited) and Barts Investment Company Limited (a wholly owned subsidiary of Commonwealth Bank of Australia (CBA)). The Company is an investment company whose sole business is the holding of 25% in Capital Hospital (Holdings) Limited via which it holds 25% in Capital Hospitals Limited. The Company holds 25% of the shareholders funds (£100,000) and further 25% of the Mezzanine debt (£20,000,000) in Capital Hospitals Limited. As disclosed in note 17, the Company is jointly owned and controlled and therefore has no parent or ultimate parent undertaking.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

## REVIEW OF THE YEAR

Financial Close was achieved on 27 April 2006 in Capital Hospitals Limited. The redevelopment of Britain's biggest hospital scheme under the United Kingdom Government's Private Finance Initiative (PFI) is now in its second year of a ten year construction term.

## FUTURE DEVELOPMENTS

The PFI project known as Barts and The London Hospital has a concession period of 42 years and includes a construction programme, worth approx £1 billion, to be undertaken by Skanska. The first phase, the Cancer Centre at Barts is scheduled to be completed in 2010. All construction is scheduled for completion in 2016. The hospitals will remain in operation during the entire construction period.

## KEY PERFORMANCE INDICATORS

The key performance indicator for Capital Hospitals Limited is the level of performance and availability deductions levied by the client, since this reflects the quality of service being provided. During the year Capital Hospitals Limited suffered no deductions.

## RESULTS AND DIVIDENDS

The proforma information effect of joint venture profit for the year before taxation amounted to £90,558 (2006 - £28,316) and taxation of £27,167 (2006 - £15,995). The profit for the year was £63,391 (2006 - £12,321).

The company only loss for the year before taxation amounted to £1,139 (2006 profit of £10,007) and taxation credit of £1,100 (2006 - charge of £3,002). The loss for the year was (£39) (2006 profit of £7,005).

The Directors do not recommend the payment of a dividend (2006 - £nil).

## PRINCIPAL RISKS AND UNCERTAINTIES

The Project Company's (Capital Hospitals Limited) exposure to interest rate risk is mitigated by having an index linked unitary contract with Barts and The London National Health Service Trust, therefore all risk is transferred. Equion Health (Barts) Limited is not exposed to any other significant risks.

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S234ZA of the Companies Act 1985.

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

The Directors who served throughout the year, except as noted, are shown on page 1

**DIRECTORS' INTERESTS**

No Director held any interests in the shares of the Company, or had any personal interest in any significant or material contract with the Company, during the year ended 31 December 2007

As disclosed in note 17, the Directors believe that the Company is jointly owned and controlled and therefore has no parent or ultimate undertaking in the current or prior year

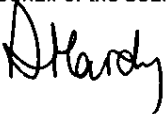
**EMPLOYEES**

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 10

**AUDITORS**

A resolution to re-appoint Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting in accordance with Section 385 of the Companies act 1985

On behalf of the board



D Hardy  
Director  
12 June 2008

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed and explained in the financial
- 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 the financial statements comply with the Companies Act 1985. 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.

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUION HEALTH (BARTS) LIMITED**

We have audited the financial statements of Equion Health (Barts) Limited for the year ended 31 December 2007 which comprise the profit and loss account, balance sheet, cash flow statement and the related notes 1 to 17. 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 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**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 judgements 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.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte & Touche LLP*  
**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London

12 June 2008

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007	2007	2006	2006
		Company only £	Proforma information effect of joint venture * £	Company only £	Proforma information effect of joint venture * £
Turnover	1, 2	20,352	50,149,573	156,973	83,265,218
Deduct:					
Share of joint venture turnover		-	(50,149,573)	-	(83,265,218)
Group turnover		20,352	-	156,973	-
Administrative expenses		(21,491)	-	(146,966)	-
Operating (loss)/profit	3	(1,139)	-	10,007	-
Share of operating(loss)/profit of Joint ventures		-	90,557	-	28,316
(Loss) / profit on ordinary activities before taxation		(1,139)	90,557	10,007	28,316
Tax on (loss)/profit on ordinary activities	7	1,100	(27,167)	(3,002)	(15,995)
Retained (loss)/profit for the period	13	(39)	63,390	7,005	12,321

A reconciliation of movements in shareholders' funds is given in note 14

All items in the profit and loss account relate to continuing operations

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents

All gains and losses are recognised in the profit and loss account in the current period, and therefore no separate statement of total recognised gains and losses has been presented

\* requirement under FRS 9 (48) to show relevant amounts, together with the effects of including them as additional information to the Company's own financial statements. This requirement applies to investment companies that have no subsidiaries and are not entitled to exemption from preparing consolidated financial statements, if it did have subsidiaries



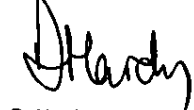
**EQUION HEALTH (BARTS) LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2007**

	Notes	2007 £	2007 £	2006 £	2006 £
		Company only	Proforma information effect of joint venture *	Company only	Proforma information effect of joint venture *
<b>Fixed assets</b>					
Investment in joint ventures	8	25,000	100,711	25,000	37,321
Share of gross assets		-	273,770,113	-	267,702,511
Share of gross liabilities		-	(273,669,402)	-	(267,665,190)
<b>Current assets</b>					
Debtors	9	5,338,655	-	5,341,965	-
-due within one year		338,655	-	341,965	-
-due after more than one year		5,000,000	-	5,000,000	-
Cash at bank and in hand		1,028	-	19	-
		5,339,683	-	5,341,984	-
<b>Creditors</b> amounts falling due within one year	10	(332,717)	-	(334,979)	-
<b>Net current assets</b>		5,006,966	-	5,007,005	-
<b>Total assets less current liabilities</b>		5,031,966	100,711	5,032,005	37,321
<b>Creditors</b> amounts falling due after more than one year	10	(5,000,000)	-	(5,000,000)	-
<b>Net assets</b>		31,966	100,711	32,005	37,321
<b>Capital and reserves</b>					
Called up share capital	12	25,000	25,000	25,000	25,000
Profit and loss account	13	6,966	75,711	7,005	12,321
<b>Equity shareholders' funds</b>	14	31,966	100,711	32,005	37,321

\* requirement under FRS 9 (48) to show relevant amounts, together with the effects of including them, as additional information to the Company's own financial statements. This requirement applies to investment companies that have no subsidiaries and are not entitled to exemption from preparing consolidated financial statements, if it did have subsidiaries.

The financial statements were approved by the Board of Directors on 12 June 2008 and were signed on its behalf by



D Hardy  
Director  
12 June 2008

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
<b>Net cash flow from operating activities</b>	15	<b>2,911</b>	<b>19</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		1,287,888	548,358
Interest paid		(1,287,888)	(548,358)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<b>-</b>	<b>-</b>
<b>Corporation taxation paid</b>		<b>(1,902)</b>	<b>-</b>
<b>Financing</b>			
Proceeds on the issue of Mezzanine loan notes	10	-	5,000,000
Payment to acquire Mezzanine loan notes	9	-	(5,000,000)
<b>Net cash inflow from financing</b>		<b>-</b>	<b>-</b>
<b>Increase in cash in the period</b>		<b>1,009</b>	<b>19</b>
<b>Reconciliation to net (debt)/cash</b>			
Balance as at 1 January		19	-
Increase in cash in the period		1,009	19
<b>Net cash at 31 December</b>		<b>1,028</b>	<b>19</b>

## Notes to the financial statements for the year ended 31 December 2007

## 1 ACCOUNTING POLICIES

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

b) Basis of accounting for joint ventures

As the Company does not have subsidiaries, it is not required to produce consolidated financial statements. Proforma information is therefore presented in respect of the joint venture using the gross equity method where the Company has joint control and significant influence. Interest in joint ventures are shown in the proforma information at cost including advances, plus the appropriate share of post acquisition retained profits and reserves. In the parent company balance sheet investments in the joint venture is included at the Company's share of historical cost adjusted for impairment.

Where the accounting policies of the joint venture does not conform with the Company's accounting policies, adjustments are made in order to present the Company accounts on a uniform basis.

c) Turnover

All Turnover is derived entirely in the United Kingdom and is net of VAT.

d) 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 substantially 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 substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

## 2 TURNOVER

	Company only	Proforma JV	Company only	Proforma JV
	2007	2007	2006	2006
	£	£	£	£
Turnover in the period is analysed as follows				
Construction income	-	35,397,393	-	76,000,698
Concession unitary income	-	1,012,206	-	680,580
Other	20,352	13,739,974	156,973	6,583,940
	<u>20,352</u>	<u>50,149,573</u>	<u>156,973</u>	<u>83,265,218</u>

## 3 OPERATING PROFIT/(LOSS)

	Company only	Proforma JV	Company only	Proforma JV
	2006	2006	2006	2006
	£	£	£	£
(Loss)/profit for the year is stated after charging				
Fees payable to the Company's auditors for the audit of the Company's annual accounts	7,638	8,696	6,500	13,605

## Notes to the financial statements for the year ended 31 December 2007 (continued)

## 4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current year or preceding period. The Company is managed by secondees from the shareholders under a management services contract.

## 5 STAFF NUMBERS

The Company had no employees during the year (2006 - nil)

## 6 NET INTEREST RECEIVABLE

	Company only	Proforma JV	Company only	Proforma JV
	2007	2007	2006	2006
	£	£	£	£
<b>Interest receivable and similar income</b>				
Joint ventures				
Interest receivable on bank deposits	-	8,305,437	-	6,474,171
Interest receivable from subsidiary undertakings	1,284,225	-	873,836	-
	<u>1,284,225</u>	<u>8,305,437</u>	<u>873,836</u>	<u>6,474,171</u>
<b>Interest payable and similar charges</b>				
Joint ventures				
Interest payable on bank loans and overdrafts	-	(18,659,415)	-	(5,389,165)
Interest payable to parent undertakings	(1,284,225)	-	(873,836)	-
Amortised debt issue costs	-	(1,208,900)	-	(783,927)
	<u>(1,284,225)</u>	<u>(19,868,315)</u>	<u>(873,836)</u>	<u>(6,173,092)</u>
Net interest added to/(deducted from) amounts recoverable on c	-	11,562,878	-	(301,079)
Net interest receivable				

## 7 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	Company only	Proforma JV	Company only	Proforma JV
	2007	2007	2006	2006
	£	£	£	£
<b>Analysis of charge for the period</b>				
<b>Current tax</b>				
UK corporation tax	-	(27,167)	(3,002)	(15,995)
Over accrual in previous year	1,100	-	-	-
<b>Total tax on (loss)/profit on ordinary activities</b>	<u>1,100</u>	<u>(27,167)</u>	<u>(3,002)</u>	<u>(15,995)</u>
The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows	2007	2007	2006	2006
	£	£	£	£
(Loss)/profit on ordinary activities before tax	<u>(1,139)</u>	<u>90,557</u>	<u>10,007</u>	<u>28,316</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	343	(27,167)	(3,002)	(8,495)
<b>Effects of</b>				
Expenses not deductible for tax purposes	-	-	-	(7,500)
Deferred tax asset not recognised	(343)	-	-	-
<b>Total current tax charge for the year</b>	<u>-</u>	<u>(27,167)</u>	<u>(3,002)</u>	<u>(15,995)</u>

## Notes to the financial statements for the year ended 31 December 2007 (continued)

## 8 INVESTMENTS

	2007 £	2006 £
Investment in joint venture		
Turnover	50,149,573	83,265,218
Profit before tax	90,557	28,316
Taxation	(27,167)	(15,995)
Profit after tax	63,390	12,321
Current assets	273,770,113	267,702,511
Total liabilities		
- less than one year	(5,840,514)	(14,575,776)
- greater than one year	(267,828,888)	(253,089,414)
Net assets	100,711	37,321

On 5 July 2005 the Company acquired a 25% share in Capital Hospital (Holdings) Limited, which holds 100% of the shares in Capital Hospital Limited a project company which is principally set up to build hospital facilities for Barts and London National Health Service Trust. The acquisition cost was £25,000 which was wholly satisfied in cash.

In the opinion of the Directors, the aggregate value of the investment in the joint venture is not less than the amount stated in the balance sheet.

## 9 DEBTORS

	2007 £	2006 £
Due within one year		
Other receivables	16,841	16,488
Prepayments and accrued income	321,814	325,477
	338,655	341,965
Debtors after more than one year		
Mezzanine Loan notes (note 11)	5,000,000	5,000,000
	5,000,000	5,000,000

## 10 CREDITORS

	2007 £	2006 £
Amounts falling due within one year		
Amount owed to group undertakings	3,036	-
Accruals and deferred income	7,867	6,500
Interest payable	321,814	325,477
Corporation tax	-	3,002
	332,717	334,979
Amounts falling due after more than one year		
Shareholders loans (note 11)	5,000,000	5,000,000
	5,000,000	5,000,000
Analysis of debt:		
Debt can be analysed as falling due		
In five years or more	5,000,000	5,000,000
	5,000,000	5,000,000

## Notes to the financial statements for the year ended 31 December 2007 (continued)

## 11 LOANS

On 27 April 2006 Capital Hospitals PLC issued £20,000,000 10 5% Mezzanine Notes due 31 March 2036  
Equion Health (Barts) Limited subscribed for 25% of this mezzanine debt for £5,000,000  
Each Mezzanine Note will be redeemed in 33 instalments semi annually from 31 March 2020

The loan notes were funded by a loan from shareholders John Laing Social Infrastructure Limited (JLSI) (formally Equion Limited) and Barts Investment Company Limited (a wholly owned subsidiary of Commonwealth Bank of Australia (CBA))  
Interest on the shareholders loan is charged at the same rate as the loan notes 10 5%

## 12 CALLED UP SHARE CAPITAL

	2007 No	2006 No
<b>Authorised</b>		
25,000 Ordinary Shares at £1 each	<u>25,000</u>	<u>25,000</u>
	£	£
<b>Allotted, called up and fully paid</b>		
25,000 Ordinary Shares at £1 each	<u>25,000</u>	<u>25,000</u>

## 13 MOVEMENT IN RESERVES

	Profit and loss account Company only	Profit and loss account Proforma JV
	£	£
At 1 January 2007	7,005	12,321
Retained (loss)/profit for the year	(39)	63,390
At 31 December 2007	<u>6,966</u>	<u>75,711</u>

## 14 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Company only	Proforma JV
	2007 £	2007 £
Opening equity shareholders' funds	32,005	37,321
(Loss)/profit for the year	(39)	63,390
Closing equity shareholders' funds	<u>31,966</u>	<u>100,711</u>

## 15 RECONCILIATION OF OPERATING RESULT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
<b>Operating (loss)/profit</b>	<b>(1,139)</b>	<b>10,007</b>
(Increase)/decrease in debtors	3,310	(341,965)
Increase in creditors	740	331,977
<b>Net cash inflow from operating activities</b>	<b><u>2,911</u></b>	<b><u>19</u></b>

**EQUION HEALTH (BARTS) LIMITED**

**Notes to the financial statements for the year ended 31 December 2007 (continued)**

**16 TRANSACTIONS WITH RELATED PARTIES**

Company name	Service provided	Cost	Outstanding amount	Cost	Outstanding amount
		2007 £	2007 £	2006 £	2006 £
Laing Investment Management Services Limited	Management services	12,416	3,036	15,465	-
	Development costs	-	-	1,035,041	-
	3rd party cost recharged	-	-	796,069	-
		<u>12,416</u>	<u>3,036</u>	<u>1,846,575</u>	<u>-</u>
John Laing Social Infrastructure Limited	Letter of credit charges	109,982	27,498	74,638	27,800
	Interest and				
	Commitment Fee	<u>532,130</u>	<u>133,409</u>	<u>362,280</u>	<u>134,938</u>
		<u>642,112</u>	<u>160,907</u>	<u>436,918</u>	<u>162,738</u>
Commonwealth Bank of Australia	Letter of credit charges	109,982	27,498	74,638	27,800
	Interest and				
	Commitment Fee	<u>532,130</u>	<u>133,409</u>	<u>362,280</u>	<u>134,938</u>
		<u>642,112</u>	<u>160,907</u>	<u>436,918</u>	<u>162,738</u>
Total transactions with related parties		<u>1,296,640</u>	<u>324,860</u>	<u>2,720,411</u>	<u>325,476</u>

**17 ULTIMATE PARENT UNDERTAKING**

The Company is owned and jointly controlled by John Laing Social Infrastructure Limited and Barts Investment Company Limited a wholly owned subsidiary of Commonwealth Bank of Australia. The Directors consider there to be no ultimate controlling party or ultimate parent company.