

Signed

PARTNERSHIPS FOR HEALTH LIMITED

Annual report and financial statements
for the year ended 31 March 2006

Company number: 4220587

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2006

The Directors present their report together with the audited financial statements of the Company for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company was set up to provide procurement support on projects established to deliver investment in new and improved local primary and community based healthcare facilities through Public Private Partnerships ('PPP'). By the end of the previous financial year, the first 35 PPP companies were established. A further 7 PPP companies were established during the current year, with the Company's active support. The Company receives a procurement fee on completed schemes, and it recognises revenue from each scheme on a percentage of completion basis when the outcome becomes reasonably certain. The reduction in the number of schemes reaching completion during the current year contributed to a decrease in turnover from £8,196,152 to £2,352,753.

Following recognition by Government of the success of the original programme, it has been extended and the Company is providing support to the extended programme with a further eight projects.

The Company invests in the PPP companies set up to deliver the required healthcare facilities, and has invested in all schemes to date. This has resulted in an increase in the carrying value of its investment portfolio from £7,230,925 to £17,441,451.

The Company continues to provide support to local healthcare organisations to develop new projects beyond the PPP company establishment. This support business has started to provide an additional revenue stream for the Company, which is expected to grow in coming years.

During the current year, the Department of Health commissioned the Company to provide further national support for the development programme. This commission is expected to continue into the next financial year. The Company is also in detailed negotiation with the Scottish Executive and Partnerships UK plc about the provision of advice and support for a similar programme of healthcare facilities in Scotland, termed 'Hub'.

RESULTS AND DIVIDEND

The Company's profit after tax for the year was £731,456 (2005 profit £4,204,816), as shown on page 9.

The Directors do not propose the payment of a dividend for the year (2005: £nil).

CAPITAL

Partnerships for Health Limited ("PfH") is a 50:50 joint venture between the Secretary of State for Health and Partnerships UK plc.

The Company increased its authorised share capital twice during the year. On 25 May 2005 the authorised share capital was increased by 2,875,000 ordinary shares of £1 each ('shares') to £3,875,000, and on 14 January 2006 by 16,125,000 shares to £20,000,000.

The Company issued 500,000 shares on 9 June 2005 and then again on 8 August 2005 at par for cash, and a further 10,500,000 shares on 1 March 2006 at par for cash. The additional funding has been used to finance the Company's investments in PPP companies.

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

EMPLOYEES

During the year, the Company has employed staff directly and continues to use staff seconded from Partnerships UK plc and the Department of Health.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company who served in the year, and their dates of appointment or resignation where relevant, are as follows:

	Date of appointment	Date of resignation
David Colin-Thome – Chairman		
Brian Johns * ¹ - Chief Executive		18 April 2005
Brian Johns ¹ – Chief Executive	11 November 2005	05 June 2006
Richard Baldwin		
Gary Belfield ²		
Peter Coates ²	27 April 2006	
Susanna Davidson (nee O'Connell) ²		
Anthony Everington		
David Goldstone ¹		11 November 2005
John Holden ²		20 April 2005
Andrew Rose ¹	18 April 2005	
James Stewart ¹		

* Only resigned as Director

¹ Partnerships UK plc (PUK) nominee.

² Department of Health (DOH) nominee.

None of the Directors was a shareholder of the Company during the year.

Since the year end, Brian Johns resigned as a Director and as Chief Executive. The Company is extremely grateful to him for his leadership and commitment over the last 4 years.

The Board of Directors is made up of three Directors nominated by each shareholder, and two other Directors who are independent of the shareholders. The Shareholders' Agreement provides for the Chairman to be nominated on an alternating basis annually by each shareholder; the current Chairman is a nominee of the Department of Health. The shareholders have agreed to amend this provision and instead to mutually agree the nomination on an individual basis. Under the Shareholders' Agreement, certain decisions require the agreement of at least one nominee Director from each shareholder.

SHAREHOLDERS

At 31 March 2006, the shares of the Company were held as follows:

	Shares	Percentage holding
Ordinary shares		
The Secretary of State for Health	6,250,000	50 %
Partnerships UK plc	6,250,000	50 %
Total	<u>12,500,000</u>	<u>100 %</u>

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF POLICY ON THE PAYMENT OF SUPPLIERS

It is the Company's policy to meet the terms of all individual supply contracts. It does not follow a published code or standard. The effect of the Company's policy is that trade creditors at the year-end represented 43 days' purchases (2005: 20 days).

CORPORATE GOVERNANCE

The Company is a joint venture, wholly owned by its two original shareholders. It has been established with the specific remit to implement an identified procurement support and investment programme. It is a small company with a small number of staff employed, with other resources brought in as required.

During the year the shareholders have set up Audit, Investment and Remuneration Committees. The members of the respective Committees are:

	Audit Committee	Investment Committee	Remuneration Committee
Richard Baldwin	√	√	
Peter Coates (DOH nominee)		√	√
Anthony Everington			√
David Goldstone (PUK nominee)	√		
James Stewart (PUK nominee)		√	√
Joe Clyne (DOH nominee)	√		

The Chairman of the Audit Committee, Richard Baldwin, is not independent as he is also a Director of LIFT companies in which the Company has invested.

The shareholder representatives on the Audit Committee - David Goldstone and Joe Clyne - are not Board members (although David Goldstone was a Director until 11 November 2005). Communication between the Audit Committee and the Board is achieved through Richard Baldwin and the Chief Executive (who attends the Audit Committee meetings).

The Shareholders and Board have considered the Company's corporate governance arrangements. They have concluded that the governance arrangements for the Company are appropriate, given its nature. They have agreed that full compliance with the requirements of the Financial Reporting Council's Combined Code on Corporate Governance, annexed to the Listing Rules of the Financial Services Authority ("the 2003 code"), would be excessive for a Company of this nature and would provide limited benefit to shareholders or other readers of these financial statements.

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT

With the exception of the Unsecured Loan Stock (detailed in Note 11 to the accounts), the Company had no indebtedness as at 31 March 2006. The Unsecured Loan Stock carries a fixed rate of interest. The Company receives interest income on a large proportion of its portfolio investments and on its cash balances. The interest rates on the investments are also fixed, but the Company effectively receives a floating rate of interest on its cash balances. The Company does not hold any derivative financial instruments to manage interest rate risk; no hedge accounting is applied.

The Company is exposed to fluctuations in the market value of its portfolio investments, which are accounted for at fair value in accordance with the policy set out in Note 1 to the accounts. It is also exposed to counterparty credit risk in respect of the payment of interest and capital on subordinated debt advanced to LIFT companies. These risks are managed through the Company's membership and participation on the Boards of the LIFT companies, the regular monitoring of financial (and other) information provided by the LIFT companies, and through the activities of the Investment Committee.

The Company provides procurement support and advisory services exclusively for public sector entities and consequently has low counterparty credit risk in respect of these operations.

The Company monitors on a regular basis all anticipated commitments or undertakings to fund additional investments, to ensure that these are matched by available funds. Additional funding is obtained from the Company's shareholders as and when necessary, through the issue of new shares or Unsecured Loan Stock. The Company's surplus cash is held with clearing banks and can be accessed without giving notice.

The Company's transactions are all denominated in Sterling and hence it does not have an exposure to foreign currencies.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the Company's state of affairs and of its profit or loss for that period. In preparing those financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which 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.

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The Directors confirm that, for all Directors in office at the date of this report:

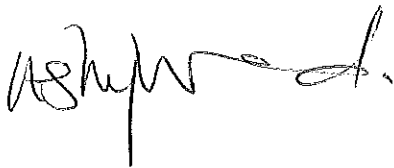
- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. For this purpose, "relevant audit information" comprises the information needed by the Company's auditors in connection with preparing their report.
- Each Director has taken all the steps (such as making enquiries of other Directors and the auditors and any other steps required by the Director's duty to exercise due care, skill and diligence) that he/she ought to have taken in his/her duty 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.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the Board

LA Ward



Secretary

28 July 2006

Room 11/2, 11th Floor,
New Kings Beam House,
22 Upper Ground,
London
SE1 9BW

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARTNERSHIPS FOR HEALTH LIMITED

We have audited the financial statements of Partnerships for Health Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

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 March 2006 and of its profit and cash flows 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 July 2006

PARTNERSHIPS FOR HEALTH LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2006

	Note	2006 £	2005 £
Turnover	2	2,352,753	8,196,152
Administrative expenses		(2,438,207)	(3,683,374)
Operating (loss)/profit		<u>(85,454)</u>	<u>4,512,778</u>
Interest receivable	6	1,477,143	559,867
Interest payable on 6% Unsecured Loan Stock		(364,057)	(302,542)
Profit on ordinary activities before taxation	3	<u>1,027,632</u>	<u>4,770,103</u>
Tax on profit on ordinary activities	7	(296,176)	(565,287)
Profit for the financial year	13	<u><u>731,456</u></u>	<u><u>4,204,816</u></u>

There are no recognised gains or losses other than the profit for the financial year.

The Company's results are wholly attributable to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial period, as reported above, and their historical cost equivalents.

The notes on pages 12 to 21 form an integral part of these financial statements.

PARTNERSHIPS FOR HEALTH LIMITED

BALANCE SHEET as at 31 March 2006

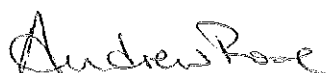
	Note	2006		2005	
		£	£	£	£
FIXED ASSETS					
Portfolio investments	8		17,441,451		7,230,925
CURRENT ASSETS					
Debtors - including due after one year £381,870 (2005: £381,875).	9	795,016		2,410,881	
Cash at bank		3,919,552		739,156	
		<u>4,714,568</u>		<u>3,150,037</u>	
Creditors: amounts falling due within one year	10	<u>(1,555,234)</u>		<u>(2,011,633)</u>	
NET CURRENT ASSETS			3,159,334		1,138,404
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>20,600,785</u>		<u>8,369,329</u>
Creditors: amounts falling due after more than one year	11		(6,125,151)		(6,125,151)
NET ASSETS			<u><u>14,475,634</u></u>		<u><u>2,244,178</u></u>
CAPITAL AND RESERVES					
Called up share capital	12		12,500,000		1,000,000
Profit and loss account	13		1,975,634		1,244,178
EQUITY SHAREHOLDERS' FUNDS	14		<u><u>14,475,634</u></u>		<u><u>2,244,178</u></u>

Approved by the Board on 28 July 2006 and signed on its behalf:

Peter Coates

Andrew Rose





Director

Director

The notes on pages 12 to 21 form an integral part of these financial statements.

PARTNERSHIPS FOR HEALTH LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2006

	Note	2006 £	2005 £
Cash inflow from operating activities	16	772,025	3,832,188
Returns on investments and servicing of finance:			
Interest received		159,091	49,099
Interest paid		<u>(270,724)</u>	<u>(4,843)</u>
		(111,633)	44,256
Taxation paid		(564,918)	(1,635)
Capital expenditure and financial investment:			
Repayment of investments	8	376,380	-
Purchase of investments	8	<u>(8,791,458)</u>	<u>(6,012,865)</u>
		(8,415,078)	(6,012,865)
Cash outflow before financing		<u>(8,319,604)</u>	<u>(2,138,056)</u>
Financing:			
Issue of share capital	12	11,500,000	-
Increase in debt		-	2,000,000
Increase/(decrease) in cash in the year		<u>3,180,396</u>	<u>(138,056)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash		3,180,396	(138,056)
Increase in debt		-	(2,000,000)
Change in net debt resulting from cash flows		<u>3,180,396</u>	<u>(2,138,056)</u>
Net debt at 1 April 2005		<u>(5,385,995)</u>	<u>(3,247,939)</u>
Net debt at 31 March 2006	17	<u>(2,205,599)</u>	<u>(5,385,995)</u>

The notes on pages 12 to 21 form an integral part of these financial statements.

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1 ACCOUNTING POLICIES

Basis of accounting

These accounts have been prepared under the historical cost convention, as modified by the revaluation of portfolio investments, and in accordance with applicable accounting standards in the United Kingdom.

The Directors have reviewed the Company's accounting policies and they are satisfied that the policies comply with the requirements of Financial Reporting Standard (FRS) 18 "Accounting Policies". The accounting policies have been applied consistently.

Turnover

Turnover comprises sales revenue from the Company's procurement support activities, directors' fees received from LIFT companies and income from other advisory services. All turnover arises from continuing activities within the United Kingdom.

Revenue from procurement support agreements is recognised on the basis described below. Other revenue is recognised as it is earned.

Procurement support

The Company's procurement support agreements are accounted for as long term contracts as their activity falls into different accounting periods. Revenue from these contracts comprises the value of the work carried out and is recognised on a percentage of completion basis when there is reasonable certainty that financial close (the date on which the finance required in respect of the obligations of a contractor becomes unconditionally available) will take place. A procurement support agreement has to be substantially complete before the outcome can be predicted with reasonable certainty and it becomes appropriate to accrue the right to consideration. As a result no revenue is recognised until the later stages of each procurement project.

The revenue recognised from procurement support agreements, less payments received and receivable, is included in debtors as "amounts recoverable from contracts".

The Company's own costs expended on procurement support agreements are written off to the profit and loss account as incurred.

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

1 ACCOUNTING POLICIES – (continued)

Portfolio investments

Portfolio investments, being those held within an investment fund as part of a basket of investments, are revalued at the balance sheet date. The investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“the Valuation Guidelines”) issued and endorsed by the British Venture Capital Association (BVCA), the European Private Equity and Venture Capital Association and the Association Française des Investisseurs en Capital. These guidelines replace the BVCA valuation guidelines that were adopted in preparing the prior year’s financial statements. Adoption of the Valuation Guidelines has not affected the amounts reported in the Company’s financial statements.

In accordance with the Valuation Guidelines, investments have been recorded at fair value except where this cannot be reliably measured, in which case they have been recorded at their previous carrying value (as adjusted to reflect the estimated extent of any impairment). For this purpose, fair value represents the amount for which an investment could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

Diminutions in value below original cost are charged to the profit and loss account, whilst any increases in value above original cost are taken directly to a revaluation reserve.

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual instalments over the lease term.

Deferred taxation

Provision is made for deferred taxation in full. A net deferred tax asset is only recognised if it is more likely than not that future economic benefits will accrue to the Company. Deferred taxation is provided in respect of portfolio revaluations if there is a binding agreement to dispose of any of the investments to which the revaluation relates.

Pension costs

Pension costs payable to a personal pension defined contribution scheme are charged to the profit and loss account as they become due.

2 TURNOVER

	2006	2005
	£	£
Procurement support revenue	1,740,529	8,112,889
Directors’ fees	70,842	19,500
Other advisory services	541,382	63,763
	<u>2,352,753</u>	<u>8,196,152</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

	2006	2005
	£	£
Auditors' remuneration	28,700	17,100
Operating leases – land and buildings	79,391	66,034
Depreciation	-	6,890
Reversal of accrued charges	<u>(114,800)</u>	<u>-</u>

4 EMPLOYEES

	2006	2005
	£	£
Wages	639,818	757,831
Social security costs	80,011	97,002
Other pension costs	<u>46,169</u>	<u>57,821</u>
	<u>765,998</u>	<u>912,654</u>

The average number of employees of the Company during the year was nine (2005: eight). During the year, the Company has employed staff directly and has also continued to use staff seconded from Partnerships UK plc and the Department of Health. The cost of these seconded staff was £424,982 (2005: £472,130).

The Company contributes to employees' own personal pension schemes. As at 31 March 2006, the Company had no liabilities in respect of money owed to scheme managers (2005: £nil).

5 DIRECTORS' EMOLUMENTS

Directors' fees paid by the Company amounted to £22,000 in respect of the year (2005: £22,000). Additionally, total salaries and bonuses paid to Directors amounted to £257,817 for the year (2005: £154,000), giving total emoluments of £279,817 (2005: £176,000). In addition, pension contributions of £12,500 (2005: £10,000) were paid in respect of one Director (2005: one Director).

The total emoluments of the highest paid Director were £145,000 and pension contributions of £12,500 were paid.

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

6 INTEREST RECEIVABLE

Interest receivable relates to the interest due to the Company on its investments in subordinated debt as part of its portfolio of investments. The interest accrues under the terms of each individual investment.

	2006 £	2005 £
Interest on portfolio investments	1,362,850	510,768
Interest on bank deposits and similar income	114,293	49,099
	<u>1,477,143</u>	<u>559,867</u>

7 TAXATION

	2006 £	2005 £
Current Tax:		
Corporation tax for the year at 30% (2005: 30%)	296,176	566,553
Overprovision last year	(1,266)	-
	<u>294,910</u>	<u>566,553</u>
Deferred tax charge/(credit)	1,266	(1,266)
	<u>296,176</u>	<u>565,287</u>

The tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

Profit on ordinary activities before taxation	<u>1,027,632</u>	<u>4,770,103</u>
Profit on ordinary activities before taxation at 30% (2005: 30%)	308,290	1,431,031
Effects of:		
Disallowed items	803	3,386
Marginal relief	(12,917)	-
Capital allowances for the year below depreciation	-	1,645
Tax losses brought forward and now utilised	-	(871,228)
Adjustment to tax losses brought forward	-	1,719
Overprovision last year	(1,266)	-
Current tax charge for the year	<u>294,910</u>	<u>566,553</u>

The Company had a deferred tax asset as at 31 March 2005, based on a corporation tax rate of 30%, as follows:

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

	2006 £	2005 £
Cumulative depreciation in excess of capital allowances	-	1,266
	<u>-</u>	<u>1,266</u>

The movements in deferred tax are as follows:

	2006 £	2005 £
At 1 April	1,266	-
(Charge)/credit for the year	(1,266)	1,266
	<u>-</u>	<u>1,266</u>

Movements in the unrecognised deferred tax are as follows:

Unrecognised deferred tax asset at 1 April	-	870,849
Capital allowances for the year below depreciation	-	1,645
Tax losses offset against profit for the year	-	(871,228)
Recognition of deferred tax asset (see above)	-	(1,266)
Unrecognised deferred tax asset at 31 March	<u>-</u>	<u>-</u>

8 PORTFOLIO INVESTMENTS

	£
Cost at 1 April 2005	7,230,925
New investments	8,791,458
Interest reclassified from debtors	510,768
Interest securitised during the year	<u>1,284,680</u>
	10,586,906
Debt repayments	(376,380)
At 31 March 2006	<u>17,441,451</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

These investments comprise:

	2006	2005
	£	£
Equity	296,306	142,065
Subordinated debt	17,145,145	7,088,860
	<u>17,441,451</u>	<u>7,230,925</u>

New investments during the year comprised new equity investments of £154,241 and new investments in subordinated debt of £8,637,217.

Interest on Subordinated debt was earned at an average of 12% per annum during the year.

As at 31 March 2006, the Company had made equity investments in each of the companies listed below. Each investment represents a 20% shareholding in the company's equity.

1. Barking & Havering Lift (Holdings) Limited
2. Barnsley Community Solutions (1) Limited
3. BBG Lift Company Limited
4. BHH Lift Company Limited
5. Birmingham & Solihull Local Improvement Finance Trust Limited
6. Bradford & Airedale Care Partnerships Limited
7. Bristol Infracare Lift Limited
8. Building Better Health –Lambeth Southwark Lewisham Limited
9. Building Better Health – West London Limited
10. Camden & Islington Community Solutions Limited
11. Care Partnerships 25 Limited
12. Community 1st Cornwall Limited
13. Community 1st Oldham Limited
14. Community 1st Sheffield Limited
15. Coventry Care Partnerships Limited
16. Doncaster Community Solutions (LiftCo) Limited
17. Dudley Infracare Lift Limited
18. East Lancashire Building Partnerships Limited
19. East London Lift Company Limited
20. Elevate Partnerships Limited
21. Foundation for Life Limited
22. GRT Nottingham Lift Company Limited
23. Healthcare Improvement Partnership (Wolverhampton City and Walsall) Limited
24. Hull Citycare Limited
25. Leeds Lift Limited
26. Leicester Lift Company Limited
27. Liftco Topco (Mast) Limited

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

28. Liverpool & Sefton Health Partnership Limited
29. Medway Liftco Limited
30. NNT Lift Company Limited
31. Norlife Limited
32. North Nottinghamshire Lift Company Limited
33. Oxford Infracare Lift Limited
34. Partners 4 Lift Limited
35. Prima 200 Limited
36. Realise Health Limited
37. Resound (Health) Limited
38. RWF Health & Community Developers Limited
39. Sandwell Lift Company Limited
40. Solent Community Solutions Limited
41. Southern Derbyshire Lift Company Limited
42. South West London Health Partnership Limited

All of these companies are engaged in providing new and improved primary and community based healthcare facilities. As at 31 March 2006, in applying the Valuation Guidelines, the Directors have concluded that:

(a) For those companies which had either not commenced operations or were at an early stage in their development, the related investments are valued at cost. No impairment provisions have been recognised.

(b) For those companies which have progressed beyond the early stage, and in the absence of any evidence showing any impairment in value, the best estimate of fair value is the carrying value at the previous recording date, which is cost. In the opinion of the Directors, the fair value of the investments cannot be reliably measured as the LIFT market is a new asset class with no appropriate comparators, and there is no information available in respect of actual transactions in the equity of LIFT companies.

9 DEBTORS

	2006	2005
	£	£
Trade debtors	576,516	1,522,376
Amounts recoverable from contracts	-	887,239
Other debtors	218,500	-
Deferred tax asset	-	1,266
	<u>795,016</u>	<u>2,410,881</u>

Included within trade debtors is an amount of £381,870, which is due after more than one year (2005: £381,875).

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

10 CREDITORS – amounts falling due within one year

	2006 £	2005 £
Trade creditors	196,222	138,718
Corporation tax	294,910	566,553
Other taxation and social security	-	201,043
Other creditors	11,234	22,339
Accruals and deferred income	1,052,868	1,082,980
	<u>1,555,234</u>	<u>2,011,633</u>

11 CREDITORS – amounts falling due after more than one year

	2006 £	2005 £
Debts maturing in more than five years: 6% Unsecured Loan Stock 2021 (“ULS”)	<u>6,125,151</u>	<u>6,125,151</u>

Under the terms of the ULS, interest of £25,151 has been securitised within the ULS outstanding in October 2003.

The payment of interest is due on 31 March and 30 September each year. Under the original terms of the ULS, the Company was able to issue further ULS up to a total of £3,000,000. On 11 April 2003, this maximum was increased to £9,000,000.

The holders of ULS rank pari passu with all other creditors of Partnerships for Health Limited, except for those obligations as may be preferred by law in the event of the Company being liquidated.

The ULS, unless previously redeemed or purchased, are redeemable at par on 14 September 2021. The Company is entitled by giving 30 days’ notice to redeem and cancel any or all of the outstanding ULS in minimum tranches of £100,000.

12 CALLED UP SHARE CAPITAL

	2006 Number of shares	2005 Number of shares
Authorised		
Ordinary shares of £1 each	<u>20,000,000</u>	<u>1,000,000</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

Allotted, issued and fully paid Ordinary shares of £1 each	2006 £	2005 £
As at 1 April	1,000,000	1,000,000
Issued in the year	11,500,000	-
As at 31 March	<u>12,500,000</u>	<u>1,000,000</u>

The Company increased its authorised share capital twice during the year: on 25 May 2005 it was increased by 2,875,000 ordinary shares to £3,875,000, and on 14 January 2006 by 16,125,000 ordinary shares to £20,000,000.

The Company issued 500,000 ordinary shares on 9 June 2005 and again on 8 August 2005 at par for cash, and a further 10,500,000 ordinary shares on 1 March 2006 at par for cash. The proceeds from these share issues has been used to finance the Company's investments in LIFT companies.

13 PROFIT AND LOSS ACCOUNT

	2006 £
Retained profit brought forward at 1 April 2005	1,244,178
Profit for the year	731,456
Retained profit carried forward at 31 March 2006	<u>1,975,634</u>

14 MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £
Shareholders' funds as at 1 April 2005	2,244,178
Ordinary shares issued in the year – see note 12	11,500,000
Profit for the year	731,456
Shareholders' funds as at 31 March 2006	<u>14,475,634</u>

Shareholders' funds are all attributable to equity interests.

15 CONTINGENCIES AND COMMITMENTS

At 31 March 2006, the payments due during the ensuing year, under an agreement for office accommodation to which the Company was committed, were as follows:

	£
Due to expire:	
Within one year	<u>77,994</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2006

As at 31 March 2006, the Company was committed to make additional payments for equity and debt in the companies in which it already holds an investment of up to £3,273,744 (2005: £4,039,533).

16 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2006 £	2005 £
Operating (loss)/profit	(85,454)	4,512,778
Depreciation	-	6,890
Decrease/(increase) in debtors	1,137,203	(345,294)
(Decrease) in creditors	<u>(279,724)</u>	<u>(342,186)</u>
Cash inflow from operating activities	<u>772,025</u>	<u>3,832,188</u>

17 ANALYSIS OF NET DEBT

	At 1 April 2005 £	Cash flow £	At 31 March 2006 £
Cash at bank	739,156	3,180,396	3,919,552
Debt due after one year	(6,125,151)	-	(6,125,151)
	<u>(5,385,995)</u>	<u>3,180,396</u>	<u>(2,205,599)</u>

18 ULTIMATE CONTROLLING ENTITY AND RELATED PARTY TRANSACTIONS

At the year-end, the Company was controlled jointly by the Secretary of State for Health and Partnerships UK plc. There was no single controlling entity.

During the year, Partnerships UK plc seconded staff and provided services to the Company amounting to £213,017 (2005: £576,257). Partnerships UK plc earned cumulative interest on the Unsecured Loan Stock ("ULS") of £450,234 (2005: £289,060). At 31 March 2006, the Company owed £450,324 (2005: £359,434) to Partnerships UK plc in respect of services and interest and a further £3,063,110 (2005: £3,063,110) in respect of ULS.

During the year, the Department of Health provided accommodation and other services to the Company amounting to £197,445 (2005: £150,588). The Department of Health earned cumulative interest on the ULS of £442,351 (2005: £285,120). At 31 March 2006, the Company owed £171,627 (2005: £187,823) to the Department of Health in respect of services and interest, and £3,062,041 (2005: £3,062,041) in respect of ULS.