
PARTNERSHIPS FOR HEALTH LIMITED

Annual report and financial statements
for the year ended 31 March 2007

Company number: 4220587

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2007

The Directors present their report together with the audited financial statements of the Company for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company was set up to provide procurement support in respect of investment in community-based healthcare facilities through public private partnerships under the National Health Service Local Improvement Finance Trust ("LIFT") Programme. 42 LIFT companies have been established as at 31st March 2007 and a further 6 LIFT companies are currently in procurement. The Company receives a procurement fee in respect of each newly established LIFT company and it recognises revenue from such advisory assignments on a percentage of completion basis when the outcome becomes reasonably certain.

The Company invests equity and subordinated debt in the LIFT companies and the projects being undertaken by the LIFT companies, often structured via special purpose companies. During the current financial year the Company's investment portfolio has increased from £17,441,451 to £28,462,761.

RESULTS AND DIVIDEND

The Company's profit after tax for the year was £648,123 (2006: £731,456). The Company made a charitable donation of £500 to the National Society for the Prevention of Cruelty to Children (2006: £500).

The Directors do not propose the payment of a dividend for the year (2006: £ nil).

CAPITAL

Changes in shareholdings

On 15 December 2006 the Secretary of State for Health purchased the 50% shareholding in the Company owned by Partnerships UK plc and the Company became wholly owned by the Secretary of State for Health.

Authorised share capital

During the current financial year, the Company increased its authorised share capital to £40,000,000.

Issued share capital

The Company increased its issued share capital to £32,500,000. All issues of shares were for cash of £1 per share at par value.

The additional funding has been used to finance the Company's investments in its LIFT activities and to make an early repayment on 27 March 2007 of the whole of the Company's outstanding 6% Unsecured Loan Stock 2021.

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

EMPLOYEES

During the year the Company has used a combination of employed staff and consultants retained under short term contract.

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
Richard Baldwin		
Gary Belfield		16 April 2007
Peter Coates CBE	27 April 2006	
Dr. David Colin-Thome		
Dr. Susanna Davidson (nee O'Connell)		
Dr. Anthony Everington		31 May 2007
Brian Johns		15 June 2006
John Pope	11 May 2007	
Andrew Rose		15 December 2006
James Stewart		15 December 2006

None of the Directors was a shareholder of the Company during the year. Dr. Colin-Thome resigned as Chairman on 1 January 2007 and was succeeded by Richard Baldwin. Dr. Colin-Thome continues to serve as a Director of the Company. Brian Johns resigned as Chief Executive and as a Director on 15 June 2006, being replaced as Chief Executive by Dr. Davidson, who was appointed as Chief Executive on 27 September 2006. James Stewart and Andrew Rose resigned following the sale of the shareholding in the Company owned by Partnerships UK plc. John Pope replaced Gary Belfield as a Director representing the Department of Health.

SHAREHOLDER

At 31 March 2007, the issued shares of the Company were held as follows:

	Shares	Percentage holding
Ordinary shares		
The Secretary of State for Health	<u>32,500,000</u>	<u>100 %</u>

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

CORPORATE GOVERNANCE

The Board has established Audit, Investment and Remuneration Committees to undertake its activities in these areas, operating under delegated authority from the Board. The membership of the respective Committees during the year, which includes shareholder representatives in addition to Board members, was as follows:

	Audit Committee	Investment Committee	Remuneration Committee
Richard Baldwin	√	√	√
Peter Coates		√	√
Joe Clyne	√		
Anthony Everington			√
David Goldstone	√		
Nick Rose		√	
James Stewart		√	√

The Chairman of the Audit Committee, Richard Baldwin, is not wholly independent as he also serves as Executive Chairman of the Company. The Board is in the process of identifying additional external directors, one of whom will serve as Chairman of the Audit Committee.

The Board has 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, would be excessive for a company of this nature.

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT

The Company had no indebtedness as at 31 March 2007. The Company receives interest income from its investment portfolio and on its cash balances. The interest payments on its investments in subordinated debt are generally based on fixed interest rates whilst the Company generally receives a floating rate of interest on its cash balances. The Company does not hold any derivative financial instruments to manage interest rate risk and no other interest rate hedging is considered necessary.

The Company is exposed to fluctuations in the market value of its portfolio investments, which are accounted for at cost in accordance with the accounting policy set out in Note 1 to the accounts. It is also exposed to counterparty credit risk in respect of the payments of interest and capital on subordinated debt advanced to LIFT companies. These risks are managed through the Company's representation on the boards of the LIFT companies, the regular monitoring of information provided by the LIFT companies, and through the scrutiny provided by 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 to fund additional investments, to ensure that these are matched by available funds. Additional funding is obtained from the Company's shareholder, as and when necessary, through the issue of new shares. The Company's surplus cash balances are held on deposit with clearing banks and can be accessed without giving significant periods of 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



P B Webster

Secretary

27 July 2007

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 2007 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 2007 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

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

27 July 2007

PARTNERSHIPS FOR HEALTH LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2007

	Note	2007 £	2006 £
Turnover	2	927,396	2,352,753
Administrative expenses		(2,490,152)	(2,438,207)
Operating loss		<u>(1,562,756)</u>	<u>(85,454)</u>
Interest income	6	2,832,166	1,477,143
Interest payable on 6% Unsecured Loan Stock		(362,243)	(364,057)
Profit on ordinary activities before taxation	3	<u>907,167</u>	<u>1,027,632</u>
Tax on profit on ordinary activities	7	(259,044)	(296,176)
Profit on ordinary activities and profit for the financial year	13	<u><u>648,123</u></u>	<u><u>731,456</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 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Portfolio investments	8		28,462,761		17,441,451
CURRENT ASSETS					
Debtors	9	1,759,961		795,016	
Cash at bank		<u>6,741,178</u>		<u>3,919,552</u>	
		8,501,139		4,714,568	
Creditors: amounts falling due within one year	10	<u>(1,840,143)</u>		<u>(1,555,234)</u>	
NET CURRENT ASSETS			6,660,996		3,159,334
TOTAL ASSETS LESS CURRENT LIABILITIES			35,123,757		20,600,785
Creditors: amounts falling due after more than one year	11		-		(6,125,151)
NET ASSETS			35,123,757		14,475,634
CAPITAL AND RESERVES					
Called up share capital	12		32,500,000		12,500,000
Profit and loss account	13		2,623,757		1,975,634
EQUITY SHAREHOLDERS' FUNDS	14		35,123,757		14,475,634

Approved by the Board on 27 July 2007 and signed on its behalf:

Dr. S Davidson

Director



R Baldwin

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 2007

	Note	2007 £	2006 £
Cash (outflow)/inflow from operating activities	16	(1,281,867)	772,025
Returns on investments and servicing of finance:			
Interest received		979,982	159,091
Interest paid		<u>(993,797)</u>	<u>(270,724)</u>
		(13,815)	(111,633)
Taxation paid		(296,164)	(564,918)
Investment:			
Repayment of subordinated debt	8	196,715	376,380
Purchase of new investments	8	<u>(9,658,092)</u>	<u>(8,791,458)</u>
		(9,461,377)	(8,415,078)
Cash outflow before financing		<u>(11,053,223)</u>	<u>(8,319,604)</u>
Financing:			
Issue of share capital	12	20,000,000	11,500,000
Decrease in debt		<u>(6,125,151)</u>	-
Increase in cash in the year		<u>2,821,626</u>	<u>3,180,396</u>
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase in cash		2,821,626	3,180,396
Decrease in debt		6,125,151	-
Change in net debt resulting from cash flows		<u>8,946,777</u>	<u>3,180,396</u>
Net debt		<u>(2,205,599)</u>	<u>(5,385,995)</u>
Net cash/(debt)	17	<u>6,741,178</u>	<u>(2,205,599)</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 2007

1 ACCOUNTING POLICIES

Basis of accounting

These accounts have been prepared under the historical cost convention 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, except as set out below in respect of portfolio investments.

The Company has taken advantage of the exemption available to small and medium companies in FRS 9 "Associates and Joint Ventures" from preparing group information.

Turnover

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

Revenue from procurement support agreements and grants 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 revenue. 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 costs expended on procurement support agreements are written off to the profit and loss account as incurred.

Grants

Revenue from grant funding in respect of designated programmes is recorded as turnover in the year to the extent that expenditure has been made in respect of each programme during the year. The excess of grants received over expenditure is included as deferred income within creditors.

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

1 ACCOUNTING POLICIES – (continued)

Portfolio investments

The Directors have reviewed the accounting policy relating to portfolio investments, being those held within an investment fund as part of a group of investments. The Directors have concluded that it is more appropriate to restate the policy and to value portfolio investments at the balance sheet date at cost, in accordance with FRS 9, less the estimated extent of any impairment.

As no investments were previously revalued or impaired as at 31 March 2006 the change in accounting policy has not resulted in any accounting adjustments being required for the prior year.

Operating leases

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

Deferred taxation

To the extent applicable, provision is made for deferred taxation in full. A net deferred tax asset would be recognised if it is considered likely that future economic benefits will accrue to the Company. Deferred taxation would be 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 in respect of the group personal pension defined contribution scheme managed by Standard Life plc are charged to the profit and loss account as they become due.

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

2 TURNOVER

	2007	2006
	£	£
Procurement support revenue	520,000	1,740,529
Grant funding	228,645	420,000
Directors' fees reimbursed by LIFT companies	36,416	70,842
Other advisory services	142,335	121,382
	<u>927,396</u>	<u>2,352,753</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2007	2006
	£	£
Auditors' remuneration	44,500	28,700
Operating leases – land and buildings	40,757	79,391
Reversal of accrued charges	-	<u>(114,800)</u>

4 EMPLOYEES

	2007	2006
	£	£
Wages	590,818	639,818
Social security costs	69,770	80,011
Pension costs	51,642	46,169
	<u>712,230</u>	<u>765,998</u>

The average number of employees of the Company during the year was twelve (2006: nine). During the year, the Company has used a combination of employed staff and staff seconded from the Department of Health, and from Partnerships UK plc until December 2006. The cost of these seconded staff was £183,552 (2006: £424,982). The services of the company secretary are being provided by the Department of Health.

The Company contributes to the group personal pension scheme established on behalf of its employees. As at 31 March 2007, the Company had no liabilities in respect of money owed to Standard Life plc, the scheme managers (2006: £ nil).

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

5 DIRECTORS' EMOLUMENTS

Directors' fees paid by the Company in the year amounted to £18,500 (2006: £22,000). In addition, total salaries and bonuses paid to Directors amounted to £214,538 for the year (2006: £257,817), giving total Directors' emoluments of £233,038 (2006: £279,817). Pension contributions of £4,785 (2006: £12,500) were paid to a defined contribution scheme in respect of one Director (2006: one Director).

The emoluments of the highest paid Director were £162,117 (2006: £157,500).

6 INTEREST RECEIVABLE

Interest receivable relates to the interest income due to the Company on its investments in subordinated debt and from its cash balances.

	2007 £	2006 £
Interest income from subordinated debt	2,634,884	1,362,850
Interest income on cash deposits	197,282	114,293
	<u>2,832,166</u>	<u>1,477,143</u>

7 TAXATION

	2007 £	2006 £
Current Tax:		
Corporation tax for the year at 30% (2006: 30%)	259,056	296,176
Overprovision previous year	(12)	(1,266)
	<u>259,044</u>	<u>294,910</u>
Deferred tax charge	-	1,266
	<u>259,044</u>	<u>296,176</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

7 TAXATION (continued)

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>907,167</u>	<u>1,027,632</u>
Profit on ordinary activities before taxation at 30% (2006: 30%)	272,150	308,290
Effects of:		
Disallowed items	2,940	803
Actual applicable tax rate being less than 30% due to marginal corporation tax rate relief	(16,034)	(12,917)
Overprovision last year	<u>(12)</u>	<u>(1,266)</u>
Current tax charge for the year	<u>259,044</u>	<u>294,910</u>

8 PORTFOLIO INVESTMENTS

		£
Cost at 1 April 2006		17,441,451
Additions in the year:		
Investment in equity and subordinated debt	9,658,092	
Interest income capitalised during the year	<u>1,559,933</u>	
		11,218,025
Repayments of subordinated debt		<u>(196,715)</u>
Cost at 31 March 2007		<u>28,462,761</u>

These investments comprise:

	2007	2006
	£	£
Equity	315,976	306,306
Subordinated debt	<u>28,146,785</u>	<u>17,135,145</u>
	<u>28,462,761</u>	<u>17,441,451</u>

The Company has reviewed its investment portfolio and concluded that no impairment provisions are necessary. £10,000 of the amount of subordinated debt as at 1 April 2006 has been reclassified as equity.

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

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

8 PORTFOLIO INVESTMENTS (continued)

As at 31 March 2007, the Company had made equity investments in each of the LIFT companies listed below, including their project financing subsidiaries where applicable.

Barking & Havering Lift (Holdings) Limited
Barnsley Community Solutions Limited
BBG Lift Company Limited
BHH Lift Company Limited
Birmingham & Solihull Local Improvement Finance Trust Limited
Bradford & Airedale Care Partnerships Limited
Bristol Infracare Lift Limited
Building Better Health – Lambeth Southwark Lewisham Limited
Building Better Health – West London Limited
Camden & Islington Community Solutions Limited
Care Partnerships 25 Limited
Community 1st Cornwall Limited
Community 1st Oldham Limited
Community 1st Sheffield Limited
Coventry Care Partnerships Limited
Doncaster Community Solutions (LiftCo) Limited
Dudley Infracare Lift Limited
East Lancashire Building Partnership Limited
East London LIFT Accommodation Services Limited
Elevate Partnerships Limited
Foundation for Life Limited
GRT Nottingham Lift Company Limited
Healthcare Improvement Partnership (Wolverhampton City and Walsall) Limited
Hull Citycare Limited
Leeds Lift Limited
Leicester Lift Company Limited
Liftco Topco (Mast) Limited
Liverpool & Sefton Health Partnership Limited
Medway Liftco Limited
NNT Lift Company Limited
Norlife Limited
North Nottinghamshire Lift Company Limited
Oxford Infracare Lift Limited
Partners 4 Lift Limited
Prima 200 Limited
Realise Health Limited
Resound (Health) Limited
RWF Health & Community Developers Limited
Sandwell Lift Company Limited
Solent Community Solutions Limited

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

8 PORTFOLIO INVESTMENTS (continued)

Southern Derbyshire Lift Company Limited
South West London Health Partnerships Limited

Each of the LIFT companies are engaged in providing community-based healthcare facilities and related services.

9 DEBTORS

	2007 £	2006 £
Trade debtors	439,762	576,516
Grants	625,000	-
Amounts recoverable from contracts	335,000	-
Accrued interest due on subordinated debt	278,065	-
Other debtors	82,134	218,500
	<u>1,759,961</u>	<u>795,016</u>

Included within trade debtors is an amount of £190,938, which is due after more than one year, representing a procurement support fee which is being paid on deferred terms (2006: £381,875). Trade debtors include amounts owed by portfolio investment companies of £439,762 (2006: £574,347).

10 CREDITORS – amounts falling due within one year

	2007 £	2006 £
Trade creditors	112,868	196,222
Corporation tax	259,056	294,910
Other creditors	232	11,234
Accruals	241,500	972,868
Grants – deferred income	1,226,487	80,000
	<u>1,840,143</u>	<u>1,555,234</u>

In respect of the balances as at 1 April 2006, £80,000 has been restated from accruals to grants - deferred income.

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

11 CREDITORS – amounts falling due after more than one year

	2007 £	2006 £
Debts maturing in more than five years: 6% Unsecured Loan Stock 2021	<u>-</u>	<u>6,125,151</u>

On 27 March 2007 the 6% Unsecured Loan Stock 2021 was redeemed in full at par and the loan stock agreement terminated.

12 CALLED UP SHARE CAPITAL

Authorised	2007 Number of shares	2006 Number of shares
Ordinary shares of £1 each	<u>40,000,000</u>	<u>20,000,000</u>
Allotted, issued and fully paid Ordinary shares of £1 each	2007 £	2006 £
As at 1 April 2006	12,500,000	1,000,000
Issued during the year	<u>20,000,000</u>	<u>11,500,000</u>
As at 31 March 2007	<u>32,500,000</u>	<u>12,500,000</u>

The Company increased its authorised share capital by 5,000,000 ordinary shares on 22 December 2006 to £25,000,000, and by a further 15,000,000 ordinary shares on 6 March 2007 to £40,000,000.

The Company increased its issued share capital by issuing 5,500,000 ordinary shares on 8 September 2006, 3,500,000 ordinary shares on 22 December 2006, and 11,000,000 ordinary shares on 27 March 2007. All shares were issued were for cash of £1 per share par value.

13 PROFIT AND LOSS ACCOUNT

	2007 £
Retained profit brought forward at 1 April 2006	1,975,634
Profit for the year	648,123
Retained profit carried forward at 31 March 2007	<u>2,623,757</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

14 MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £
Shareholders' funds as at 1 April 2006	14,475,634
Ordinary shares issued in the year	20,000,000
Profit for the year	648,123
Shareholders' funds as at 31 March 2007	<u>35,123,757</u>

15 CONTINGENCIES AND COMMITMENTS

As at 31 March 2007, £45,000 was due in respect of rent for the forthcoming twelve months under an agreement for the lease of office accommodation entered into with the Department of Health, expiring at 31 March 2008.

As at 31 March 2007, the Company has commitments of £443,304 (2006: £3,273,774) in respect of additional investment in equity and subordinated debt in its LIFT investment portfolio.

16 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOW

	2007 £	2006 £
Operating loss	(1,562,756)	(85,454)
(Increase)/decrease in debtors	(662,769)	1,137,203
Increase/(decrease) in creditors	943,658	(279,724)
Cash (outflow)/inflow from operating activities	<u>(1,281,867)</u>	<u>772,025</u>

17 ANALYSIS OF NET FUNDS/(DEBT)

	At 1 April 2006 £	Cash flow £	At 31 March 2007 £
Cash at bank	3,919,552	2,821,626	6,741,178
Debt due after one year	(6,125,151)	6,125,151	-
	<u>(2,205,599)</u>	<u>8,946,777</u>	<u>6,741,178</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2007

18 ULTIMATE CONTROLLING ENTITY

At the year-end, the Secretary of State for Health controlled the Company. Prior to 15 December 2006 there was no single controlling entity as the Company was owned jointly by the Secretary of State for Health and Partnerships UK plc.

During the year, the Department of Health provided accommodation and other services to the Company amounting to £135,883 (2006: £197,445). As at 31 March 2007, the Company owed £2,128 (2006: £nil) in respect of these services. As at 31 March 2007, the Company owed the Department of Health £nil (2006: £3,062,041) in respect of the 6% Unsecured Loan Stock 2021 and £nil (2006: £171,627) in respect of unpaid interest on the loan stock.

During the year, the Department of Health has provided grants in support of programmes being undertaken by the Company of £875,000 (2006: £500,000), of which £148,645 has been recognised as income during the year (2006: £420,000). As at 31 March 2007, the Company was owed £625,000 in respect of grants from the Department of Health (2006: £nil).

During the year, Partnerships UK plc seconded staff and provided services to the Company amounting to £127,231 (2006: £213,017). As at 31 March 2007, the Company owed £nil (2006: £nil) in respect of these services. As at 31 March 2007, the Company owed Partnerships UK plc £nil (2006: £3,063,110) in respect of 6% Unsecured Loan Stock 2021 and £nil (2006: £450,324) in respect of unpaid interest on the loan stock. The Company provided services to Partnerships UK plc during the year amounting to £46,836 (2006: £ nil).