

COMMUNITY HEALTH PARTNERSHIPS LIMITED

Formerly
Partnerships for Health Limited

Annual report and financial statements
For the year ended 31 March 2008

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Company number. 4220587

COMMUNITY HEALTH PARTNERSHIPS LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2008

The Directors present their report together with the audited financial statements of Community Health Partnerships Limited ("the Company") for the year ended 31 March 2008

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

On 27 November 2007, the Company changed its name from Partnerships for Health Limited to Community Health Partnerships Limited

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. 45 LIFT companies have been established as at 31 March 2008 and a further three LIFT companies were 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 £28,462,761 to £34,018,730.

RESULTS AND DIVIDEND

The Company's profit after tax for the year was £1,860,770 (2007: £648,123). The Company made a charitable donation of £500 (2007: £500).

The Directors do not propose the payment of a dividend for the year (2007: £ nil).

CAPITAL AND FINANCE

Authorised and Issued share capital

On 10 December 2007, the Company increased its authorised ordinary shares by 20,000,000 to 60,000,000 shares. On 19 March 2008, the Company increased its issued share capital by £5,000,000 to £37,500,000. All issues of shares were for cash of £1 per share at par value.

Loan Facility 2033

The Company entered a loan agreement and drew down a £10,000,000 Unsecured Loan Facility 2033 during the year. The additional funding is to finance the Company's investments in its LIFT activities.

COMMUNITY HEALTH PARTNERSHIPS LIMITED

DIRECTORS' REPORT (continued)

EMPLOYEES

During the year the Company has used a combination of employed staff, staff seconded from the Department of Health and other NHS organisations, 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 or reappointment	Date of resignation
Richard Baldwin (chairman)		
Nigel Beer	1 May 2008	
Gary Belfield		16 April 2007
David Behan CBE	19 October 2007	
Anthony Bicknell	20 June 2008	
Peter Coates CBE		
Dr David Colin-Thorne OBE		15 August 2007
Dr Susanna Davidson (nee O'Connell)		
Dr Anthony Everington OBE	1 November 2007	31 May 2007
George Farley	20 June 2008	
Dr Roy Macgregor	1 November 2007	
John Pope OBE	11 May 2007	21 April 2008

Dr Anthony Everington resigned during the year because of a potential conflict of interest which ultimately did not occur, he was subsequently reappointed

SHAREHOLDER

At 31 March 2008, the issued shares of the Company were held as follows.

	Shares	Percentage holding
Ordinary shares		
The Secretary of State for Health	<u>37,500,000</u>	<u>100 %</u>

COMMUNITY HEALTH PARTNERSHIPS 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	√		
Dr Anthony Everington			√
Nick Rose		√	

The Chairman of the Audit Committee, Richard Baldwin, is not wholly independent as he also serves as Executive Chairman of the Company. Effective 23 July 2008, Nigel Beer has been appointed 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

COMMUNITY HEALTH PARTNERSHIPS LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT

The Company has borrowings of £10,000,000 as at 31 March 2008. 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 and the Company's dedicated investment management function.

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

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 or debt funding. The Company's surplus cash balances are held on deposit with major 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.

COMMUNITY HEALTH PARTNERSHIPS LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

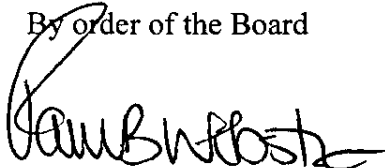
The Directors confirm that, for all Directors in office at the date of this report:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- Each Director has taken all reasonable steps 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

25 July 2008

Secretary

New Kings Beam House,
22 Upper Ground,
London
SE1 9BW

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMMUNITY HEALTH PARTNERSHIPS LIMITED

We have audited the financial statements of Community Health Partnerships Limited for the year ended 31 March 2008 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 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.

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 are 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 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 2008 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

Date: 25 July 2008

COMMUNITY HEALTH PARTNERSHIPS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2008

	Note	2008 £	2007 £
Turnover	2	2,325,501	927,396
Administrative expenses		(3,494,476)	(2,490,152)
Operating loss		<u>(1,168,975)</u>	<u>(1,562,756)</u>
Interest income	6	3,873,753	2,832,166
Interest payable	11		
Unsecured Loan Facility 2033		(43,151)	-
6% Unsecured Loan Stock 2011		-	(362,243)
Profit on ordinary activities before taxation	3	<u>2,661,627</u>	<u>907,167</u>
Tax on profit on ordinary activities	7	(800,857)	(259,044)
Profit on ordinary activities for the financial year	13	<u>1,860,770</u>	<u>648,123</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

COMMUNITY HEALTH PARTNERSHIPS LIMITED

BALANCE SHEET as at 31 March 2008

	Note	£	2008 £	£	2007 £
FIXED ASSETS					
Portfolio investments	8		34,018,730		28,462,761
CURRENT ASSETS					
Debtors	9	849,666		1,759,961	
Cash at bank		19,945,116		6,741,178	
		<u>20,794,782</u>		<u>8,501,139</u>	
Creditors amounts falling due within one year	10	<u>(2,828,985)</u>		<u>(1,840,143)</u>	
NET CURRENT ASSETS			17,965,797		6,660,996
TOTAL ASSETS LESS CURRENT LIABILITIES			51,984,527		35,123,757
Creditors amounts falling due after more than one year	11		(10,000,000)		-
NET ASSETS			41,984,527		35,123,757
CAPITAL AND RESERVES					
Called up share capital	12		37,500,000		32,500,000
Profit and loss account	13		4,484,527		2,623,757
EQUITY SHAREHOLDER'S FUNDS	14		41,984,527		35,123,757

Approved by the Board on 25 July 2008 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

COMMUNITY HEALTH PARTNERSHIPS LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2008

	Note	2008 £	2007 £
Cash inflow /(outflow) from operating activities	16	356,705	(1,281,867)
Returns on investments and servicing of finance			
Interest received		2,089,454	979,982
Interest paid		<u>-</u>	<u>(993,797)</u>
		2,089,454	(13,815)
Taxation paid		(259,278)	(296,164)
Investment			
Repayment of subordinated debt	8	431,263	196,715
Purchase of new investments	8	<u>(4,414,206)</u>	<u>(9,658,092)</u>
		(3,982,943)	(9,461,377)
Cash outflow before financing		<u>(1,796,062)</u>	<u>(11,053,223)</u>
Financing:			
Issue of share capital	12	5,000,000	20,000,000
Increase/(decrease) in debt	11	10,000,000	(6,125,151)
		<u>13,203,938</u>	<u>2,821,626</u>
Increase in cash in the year		<u>13,203,938</u>	<u>2,821,626</u>
Reconciliation of net cash flow to movement in net funds/(debt)			
Increase in cash		13,203,938	2,821,626
(Increase)/decrease in debt		(10,000,000)	6,125,151
Change in net funds/debt resulting from cash flows		<u>3,203,938</u>	<u>8,946,777</u>
Net funds/(debt)		<u>6,741,178</u>	<u>(2,205,599)</u>
Net funds	17	<u>9,945,116</u>	<u>6,741,178</u>

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

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

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.

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 "Grants - deferred income" within creditors.

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2008

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 appropriate to continue to value portfolio investments at the balance sheet date at cost, in accordance with FRS 9, less the estimated extent of any impairment.

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 were considered likely that future economic benefits will accrue to the Company. Deferred taxation would be provided in respect of portfolio revaluations if there were 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.

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2008

2 TURNOVER

	2008 £	2007 £
Procurement support revenue	1,005,000	520,000
Grant funding	1,104,079	228,645
Directors' fees reimbursed by LIFT companies	166,232	36,416
Other advisory services	50,190	142,335
	<u>2,325,501</u>	<u>927,396</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging the following amounts

	2008 £	2007 £
Auditors' remuneration	39,000	44,500
Operating leases – land and buildings	43,200	40,757
	<u> </u>	<u> </u>

4 EMPLOYEES

	2008 £	2007 £
Wages	1,150,644	590,818
Social security costs	140,372	69,770
Pension costs	76,035	51,642
	<u>1,367,051</u>	<u>712,230</u>

The average number of employees of the Company during the year was nineteen (2007: twelve). During the year, the Company has used a combination of employed staff, staff seconded from the Department of Health and other NHS organisations, and consultants retained under short-term contract. The cost of these seconded staff was £268,861 (2007: £183,552). 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 2008, the Company owed to Standard Life plc, the scheme managers £10,194 (2007: £ nil).

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2008

5 DIRECTORS' EMOLUMENTS

Directors' fees paid by the Company in the year amounted to £11,459 (2007: £18,500). In addition, total salaries and bonuses paid to Directors amounted to £241,250 for the year (2007: £214,538), giving total Directors' emoluments of £252,709 (2007: £233,038). Pension contributions amounted to £7,000 for the year (2007: £4,785) and were paid to a defined contribution scheme in respect of one Director. Directors of the Company who are employed by the Department of Health and other NHS organisations do not receive emoluments from the Company.

The emoluments of the highest paid Director were £166,250 (2007: £162,117)

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

	2008 £	2007 £
Interest income from subordinated debt	3,521,915	2,634,884
Interest income on cash deposits	351,838	197,282
	<u>3,873,753</u>	<u>2,832,166</u>

7 TAXATION

	2008 £	2007 £
Current Tax:		
Corporation tax for the year at 30% (2007: 30%)	800,635	259,056
Under/(over) provision previous year	222	(12)
	<u>800,857</u>	<u>259,044</u>
Deferred tax charge	-	-
	<u>800,857</u>	<u>259,044</u>

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2008

7 TAXATION (continued)

The tax charge for the year differs from the standard rate of corporation tax in the UK
The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>2,661,627</u>	<u>907,167</u>
Profit on ordinary activities before taxation at 30% (2007: 30%)	798,488	272,150
Effects of Disallowed items	2,147	2,940
Actual applicable tax rate being less than 30% due to marginal corporation tax rate relief	-	(16,034)
Under/(over) provision last year	<u>222</u>	<u>(12)</u>
Current tax charge for the year	<u>800,857</u>	<u>259,044</u>

8 PORTFOLIO INVESTMENTS

	£
Cost at 1 April 2007	28,462,761
Additions in the year	
Investment in equity and subordinated debt	4,414,206
Interest income capitalised during the year	<u>1,573,026</u>
	5,987,232
Repayments of subordinated debt	<u>(431,263)</u>
Cost at 31 March 2008	<u>34,018,730</u>

These investments comprise:

	2008 £	2007 £
Equity	434,598	315,976
Subordinated debt	<u>33,584,132</u>	<u>28,146,785</u>
	<u>34,018,730</u>	<u>28,462,761</u>

The Company has reviewed its investment portfolio and concluded that no impairment provisions are necessary

The Company owns a 20% equity investment in the ordinary shares of each LIFT company. Interest on subordinated debt was earned at an average of 12% per annum during the year (2007 12% per annum)

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2008

8 PORTFOLIO INVESTMENTS (continued)

As at 31 March 2008, 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
Bexley, Bromley and Greenwich Lift Company Limited
BHH Lift Company Limited
Birmingham & Solihull Local Improvement Finance Trust Limited
Bradford & Airedale Care Partnerships Limited
Brahm Lift Limited
Bristol Infracare Lift Limited
Building Better Health – Lambeth Southwark Lewisham Limited
Building Better Health – West London Limited
Bury, Tameside & Glossop Community Solutions Limited
Camden & Islington Community Solutions Limited
Care Partnerships 25 Limited
Community 1st Cornwall Limited
Community 1st Oldham Limited
Community 1st Sheffield Limited
Community Ventures Company (No 1) Limited (formerly Leeds Lift Limited)
Coventry Care Partnership 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
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
Prima 200 Limited
Realise Health Limited
Renova Developments Limited (formerly Partners 4 Lift Limited)
Resound (Health) Limited
RWF Health & Community Developers Limited

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2008

8 PORTFOLIO INVESTMENTS (continued)

Sandwell Lift Company Limited
Solent Community Solutions Limited
Southern Derbyshire Lift Company Limited
South East Essex Lift Limited
South West London Health Partnerships Limited

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

9 DEBTORS

	2008 £	2007 £
Trade debtors	67,697	439,762
Grants	-	625,000
Amounts recoverable from contracts	-	335,000
Accrued interest due on subordinated debt	532,064	278,065
Other debtors	249,905	82,134
	<u>849,666</u>	<u>1,759,961</u>

Trade debtors include amounts owed by portfolio investment companies of £67,697 (2007 £439,762)

10 CREDITORS – amounts falling due within one year

	2008 £	2007 £
Trade creditors	167,680	112,868
Corporation tax	800,635	259,056
Payroll and value added taxes	147,424	-
Accruals	492,449	241,732
Grants – deferred income	1,220,797	1,226,487
	<u>2,828,985</u>	<u>1,840,143</u>

Included in accruals is £43,151 of accrued interest relating to the Unsecured Loan Facility 2033 (2007: £nil), see note 11

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2008

11 CREDITORS – amounts falling due after more than one year

	2008 £	2007 £
Debts maturing in more than five years:		
Unsecured Loan Facility 2033	<u>10,000,000</u>	<u>-</u>

On 15 February 2008 the Company's shareholder, the Secretary of State for Health, loaned the Company £10,000,000 pursuant to an agreement dated 12 February 2008 (the "Facility"). Interest is payable half yearly at the end of June and December. Until 31 March 2008 interest is payable at 3.5% per annum. Subsequently, until 31 March 2010, interest is payable at annual rates of 3.5% and 4.73% subject to the volume of new investments made by the Company. After 1 April 2010 interest is payable at 4.73% per annum. The Company may repay any amount on giving 10 days notice, provided the repayment is at least £1,000,000. All amounts outstanding under the Facility are due after 25 years on 15 February 2033. There are early payment provisions in the event of certain changes in ownership of the Company.

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	2008 Number of shares	2007 Number of shares
Ordinary shares of £1 each	<u>60,000,000</u>	<u>40,000,000</u>
Allotted, issued and fully paid	2008	2007
Ordinary shares of £1 each	£	£
As at 1 April	32,500,000	12,500,000
Issued during the year	<u>5,000,000</u>	<u>20,000,000</u>
As at 31 March	<u>37,500,000</u>	<u>32,500,000</u>

On 10 December 2007, the Company increased its authorised ordinary shares by 20,000,000 to 60,000,000. On 19 March 2008, the Company increased its issued share capital by £5,000,000 to £37,500,000. All issues of shares were for cash of £1 per share at par value.

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2008

13 PROFIT AND LOSS ACCOUNT

	2008 £
Retained profit brought forward at 1 April 2007	2,623,757
Profit for the year	1,860,770
Retained profit carried forward at 31 March 2008	<u>4,484,527</u>

14 MOVEMENTS IN SHAREHOLDER'S FUNDS

	2008 £
Shareholder's funds as at 1 April 2007	35,123,757
Ordinary shares issued in the year	5,000,000
Profit for the year	1,860,770
Shareholder's funds as at 31 March 2008	<u>41,984,527</u>

15 CONTINGENCIES AND COMMITMENTS

At 31 March 2008, the Company had commitments of £564,000 (2007: £443,304) in respect of additional investment in its LIFT investment portfolio

At 31 March 2008, £68,000 will be due in respect of estimated base rent (subject to annual RPI adjustments), allocated capital charges and allocated building services costs for the forthcoming twelve months under an agreement for the lease of office accommodation entered into with the Department of Health for three years expiring at 31 March 2011. Rent expense for years two and three of the lease have not been estimated as no budget has been received for these years

16 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOW

	2008 £	2007 £
Operating loss	(1,168,975)	(1,562,756)
Decrease/(Increase) in debtors	1,121,336	(662,769)
Increase in creditors	404,344	943,658
Cash inflow/(outflow) from operating activities	<u>356,705</u>	<u>(1,281,867)</u>

17 ANALYSIS OF NET FUNDS

	At 1 April 2007 £	Cash flow £	At 31 March 2008 £
Cash at bank	6,741,178	13,203,938	19,945,116
Debt due after one year	-	(10,000,000)	(10,000,000)
	<u>6,741,178</u>	<u>3,203,938</u>	<u>9,945,116</u>

COMMUNITY HEALTH PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2008

18 ULTIMATE CONTROLLING ENTITY

At the year-end, the Secretary of State for Health owned 100% of the share capital and 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.

As at 31 March 2008, the Company owed the Department of Health £10,000,000 (2007: £nil) in respect of the Unsecured Loan Facility 2033 and £43,151 in respect of accrued interest.

During the year, the Department of Health has provided additional grants in support of programmes being undertaken by the Company of £1,098,389 (2007: £875,000). During the year £1,104,079 has been recognised as income (2007: £148,645) from both new and existing deferred grant balances. As at 31 March 2008, the Company was owed £nil in respect of grants from the Department of Health (2007: £625,000).

During the year, the Department of Health provided accommodation and other services to the Company amounting to £57,334 (2007: £135,883). As at 31 March 2008, the Company owed £10,972 (2007: £2,128) in respect of these services.