

PARTNERSHIPS FOR HEALTH LIMITED

Annual report and financial statements  
for the year ended 31 March 2005

Company number: 4220587



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## PARTNERSHIPS FOR HEALTH LIMITED

### DIRECTORS' REPORT

For the year ended 31 March 2005

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2005.

### 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'). In the previous financial year, the first six PPP companies were established. A further 29 PPP companies were established during the current year, with the Company's active support, and a further one since the year-end. The Company receives a procurement fee on completed schemes, and it recognises revenue from each scheme when the outcome becomes reasonably certain. The significant increase in the number of schemes reaching completion during the current year contributed to an increase in turnover from £2,585,807 to £8,196,152.

*The Company continues to support the remaining six localities from the original programme.*

Following recognition by Government of the success of the original programme delivery, it has been extended and the Company is now providing support to the extended programme with a further nine 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 £1,218,060 to £7,230,925.

During the year, the Company also started to provide support to local healthcare organisations to develop new projects beyond the PPP company establishment. This support business will provide an additional revenue stream for the Company in coming years.

Discussions have also commenced with the Department of Health for the Company to provide further national support for the development programme, and also with the Scottish Executive about a similar programme of healthcare facilities in Scotland.

### RESULTS AND DIVIDEND

The Company's profit after tax for the year was £4,204,816 (2004 loss £(107,767)), as shown on page 6.

The directors do not propose the payment of a dividend for the year (2004: £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 allotted and issued for cash £1,000,000 6% Unsecured Loan Stock 2021 in June 2004 and £1,000,000 6% Unsecured Loan Stock 2021 in February 2005. This additional funding was used to finance the Company's investments in PPP companies.

## PARTNERSHIPS FOR HEALTH LIMITED

### DIRECTORS' REPORT (continued)

The shareholders have committed up to £5,000,000 each to support the development of Pfh's business, including investments in local primary and community care companies. At 31 March 2005, each shareholder had provided funding of £3,562,576. A further £1,437,424 is available from each shareholder to support the investment business. On the basis of this commitment of future funding and taking account of the projected results for the year to 31 March 2006, the directors are confident that the Company is a going concern.

### 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 during the year where relevant, are as follows:

	Date of appointment	Date of resignation
David Colin-Thorne – Chairman	11 June 2004	
Brian Johns * <sup>1</sup> - Chief Executive		18 April 2005
Richard Baldwin		
Gary Belfield <sup>2</sup>	17 September 2004	
Sue Davidson (nee O'Connell) <sup>2</sup>	26 January 2005	
Anthony Everington		
David Goldstone <sup>1</sup>		
John Holden <sup>2</sup>	27 January 2005	20 April 2005
James Stewart <sup>1</sup>		
Patrick Clyne <sup>2</sup>		07 December 2004
Peter Coates <sup>2</sup>		26 January 2005
Peter Wearmouth <sup>2</sup>		07 January 2005
Andrew Rose	18 April 2005	

\* Only resigned as director

<sup>1</sup> Partnerships UK plc nominee.

<sup>2</sup> Department of Health nominee.

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

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 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.

## PARTNERSHIPS FOR HEALTH LIMITED

### DIRECTORS' REPORT (continued)

#### SHAREHOLDERS

At 31 March 2005, the shares of the Company were held as follows:

	Shares	Percentage holding
Ordinary shares		
The Secretary of State for Health	500,000	50 %
Partnerships UK plc	500,000	50 %
Total	<u>1,000,000</u>	<u>100 %</u>

#### 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 20 days' purchases (2004: 39 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 investment programme. It is a small company with a small number of staff employed, with other resources bought in as required.

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.

#### 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.

## PARTNERSHIPS FOR HEALTH LIMITED

### DIRECTORS' REPORT (continued)

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.

### 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

09/09/2005

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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARTNERSHIPS FOR HEALTH LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2005 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

09/09/2005

# PARTNERSHIPS FOR HEALTH LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

	Note	2005 £	2004 £
Turnover		8,196,152	2,585,807
Administrative expenses		(3,683,374)	(2,518,325)
Operating profit		<u>4,512,778</u>	<u>67,482</u>
Interest receivable	5	559,867	16,883
Interest payable on 6% Unsecured Loan Stock		(302,542)	(192,132)
Profit / (loss) on ordinary activities before taxation	2	<u>4,770,103</u>	<u>(107,767)</u>
Tax on profit / (loss) on ordinary activities	6	(565,287)	-
Profit / (loss) for the financial year	13	<u><u>4,204,816</u></u>	<u><u>(107,767)</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.

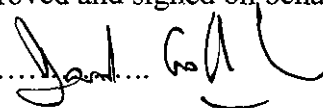
The notes on pages 10 to 20 form an integral part of these financial statements.

PARTNERSHIPS FOR HEALTH LIMITED

BALANCE SHEET as at 31 March 2005

	Note	2005	2004
		£	£
FIXED ASSETS			
Tangible assets	7	-	6,890
Investments	8	<u>7,230,925</u>	<u>1,218,060</u>
		7,230,925	1,224,950
CURRENT ASSETS			
Debtors - including due after one year £381,875 (2004: £Nil).	9	2,410,881	1,553,553
Cash at bank		<u>739,156</u>	<u>877,212</u>
		3,150,037	2,430,765
Creditors: amounts falling due within one year	10	<u>(2,011,633)</u>	<u>(1,491,202)</u>
NET CURRENT ASSETS		1,138,404	939,563
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,369,329</u>	<u>2,164,513</u>
Creditors: amounts falling due after more than one year	11	(6,125,151)	(4,125,151)
NET ASSETS / (LIABILITIES)		<u>2,244,178</u>	<u>(1,960,638)</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000,000	1,000,000
Profit and loss account	13	1,244,178	(2,960,638)
EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)	14	<u>2,244,178</u>	<u>(1,960,638)</u>

Approved and signed on behalf of the Board on 9 September 2005

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Director

The notes on pages 10 to 20 form an integral part of these financial statements.



# PARTNERSHIPS FOR HEALTH LIMITED

## CASH FLOW STATEMENT

For the year ended 31 March 2005

	Note	2005 £	2004 £
Cash inflow / (outflow) from operating activities	16	3,832,188	(1,092,125)
Returns on investments and servicing of finance:			
Interest received		49,099	16,883
Interest paid		(4,843)	-
Taxation		(1,635)	-
Capital expenditure and financial investment:			
Purchase of investments		(6,012,865)	(1,218,060)
Cash outflow before financing		<u>(2,138,056)</u>	<u>(2,293,302)</u>
Financing:			
Increase in debt		2,000,000	2,400,000
(Decrease) / increase in cash in the year		<u>(138,056)</u>	<u>106,698</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease) / increase in cash		(138,056)	106,698
Increase in debt		(2,000,000)	(2,400,000)
Change in net debt resulting from cash flows		<u>(2,138,056)</u>	<u>(2,293,302)</u>
Non-cash movements		-	(25,151)
Net debt at 1 April 2004		<u>(3,247,939)</u>	<u>(929,486)</u>
Net debt at 31 March 2005	17	<u>(5,385,995)</u>	<u>(3,247,939)</u>

The notes on pages 10 to 20 form an integral part of these financial statements.

# PARTNERSHIPS FOR HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 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 are satisfied that they comply with the requirements of Financial Reporting Standard (FRS) 18 "Accounting Policies". The accounting policies have been applied consistently

#### **Going concern**

The shareholders have committed up to £5,000,000 each to support the Company's activities. At 31 March 2005, each shareholder had provided funding of £3,562,576. A further £1,437,424 is available from each shareholder. On the basis of this commitment of future funding [and taking account of the projected results for the year to 31 March 2006], the directors believe it is appropriate to prepare the accounts on a going concern basis.

#### **Turnover**

Turnover comprises sales revenue from the Company's procurement support activities. 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**

Revenue from procurement support agreements comprises the value of the work carried out by the Company. Revenue 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, so no revenue is recognised until the later stages of each agreement.

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.

#### **Fixed assets and depreciation**

Tangible fixed assets are stated at original cost less depreciation which writes off the cost of the assets, less anticipated sale proceeds, evenly over their estimated useful lives as follows:

Office and computer equipment	3 years
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## PARTNERSHIPS FOR HEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

#### 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 Valuation Guidelines issued by the British Venture Capital Association (BVCA) in 2003.

In accordance with the BVCA's 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 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.

##### **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 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2005 £	2004 £
Auditors' remuneration	17,100	6,815
Standardisation	31,706	87,955
Operating leases – land and buildings	66,034	50,400
Depreciation	<u>6,890</u>	<u>8,000</u>

Standardisation is the cost of external advisers on developing standard procurement and commercial documentation for use in projects to deliver investment in healthcare facilities.

# PARTNERSHIPS FOR HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

### 3 EMPLOYEES

	2005 £	2004 £
Wages	757,831	362,675
Social security costs	97,002	43,365
Other pension costs	57,821	27,387
	<u>912,654</u>	<u>433,427</u>

The average number of employees of the Company during the year was eight (2004: five). 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 £472,130 (2004: £247,976).

The Company contributes to employees' own personal pension schemes. As at 31 March 2005, the Company had no liabilities in respect of money owed to scheme managers (2004: £nil).

### 4 DIRECTORS' EMOLUMENTS

Directors' fees paid by the Company amounted to £22,000 in respect of the year (2004: £20,500) additionally, total salaries and bonuses paid to directors amounted to £154,000 for the year (2004: £ 150,000). In addition, pension contributions of £ 10,000 (2004: £ 9,225) were paid.

### 5 INTEREST RECEIVABLE

	2005 £	2004 £
Interest on portfolio investments	510,768	-
Interest on bank deposits and similar income	49,099	16,883
	<u>559,867</u>	<u>16,883</u>

# PARTNERSHIPS FOR HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

### 6 TAXATION

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

	2005 £	2004 £
Current Tax:		
Corporation tax for the year 30% (2004:30%)	566,553	-
Deferred tax credit	(1,266)	-
	<u>565,287</u>	<u>-</u>
Profit/(loss) on ordinary activities before taxation	<u>4,770,103</u>	<u>(107,767)</u>
Profit/(loss) on ordinary activities before taxation at 30% (2004: 30%)	1,431,031	(32,330)
Effects of:		
Disallowed items	3,386	155
Capital allowances for the year below depreciation	1,645	1,838
Tax losses brought forward and now utilised (2004: Tax loss not recognised as a deferred tax asset)	(871,228)	30,337
Adjustment to tax losses brought forward	<u>1,719</u>	<u>-</u>
Current tax charge for the year	<u>566,553</u>	<u>-</u>

The Company had a recognised deferred tax asset, based on a corporation tax rate of 30% (2004: 30%), as follows:

	2005 £	2004 £
Tax losses carried forward	-	379
Cumulative depreciation in excess of/ (below) capital allowances	<u>1,266</u>	<u>(379)</u>
	<u>1,266</u>	<u>-</u>

# PARTNERSHIPS FOR HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

Unrecognised deferred tax asset at 1 April	870,849	838,674
Tax loss not recognised as a deferred tax asset	-	30,337
Capital allowances for the year below depreciation	1,645	1,838
Tax losses offset against profit for the year	(871,228)	-
Recognition of deferred tax asset (see above)	<u>(1,266)</u>	<u>-</u>
Unrecognised deferred tax asset at 31 March	<u>-</u>	<u>870,849</u>

## 7 TANGIBLE FIXED ASSETS

	Office and computer equipment £
Cost	
As at 1 April 2004 and 31 March 2005	24,000
Disposals	<u>(24,000)</u>
	<u>-</u>
Depreciation	
As at 1 April 2004	17,110
Charge for the year	6,890
Disposals	<u>(24,000)</u>
At 31 March 2005	<u>-</u>
Net book value at 31 March 2005	<u>-</u>
Net book value at 1 April 2004	<u>6,890</u>

## PARTNERSHIPS FOR HEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2005

#### 8 INVESTMENTS

	£
Cost at 1 April 2004	1,218,060
Additions	6,012,865
At 31 March 2005	<u>7,230,925</u>

These investments comprise:

	£
Equity	1,812,398
Subordinated debt	5,418,527
	<u>7,230,925</u>

Interest on Subordinated debt earned on an average of 12% per annum.

As at 31 March 2005 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 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 – West London LimitedCare Partnerships 25 Ltd
9. Camden & Islington Community Solutions Limited
10. Community 1<sup>st</sup> Cornwall Limited
11. Community 1<sup>st</sup> Oldham Limited
12. Coventry Care Partnerships Limited
13. East Lancashire Building Partnerships Limited
14. East London Lift Accommodation Services Limited
15. Elevate Partnerships Limited (BEH)
16. Foundation for Life Limited
17. Forest Vale Fundo, Elevate Partnerships Ltd
18. GRT Nottingham Lift Company Limited
19. Healthcare Improvement Partnership (Wolverhampton City & Walsall) Limited
20. Hull Citycare Limited
21. Leeds Lift Limited
22. Leicester Lift Company Limited

## PARTNERSHIPS FOR HEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

23. Liverpool & Sefton Health Partnership Limited
24. NNT Lift Company Limited
25. Norlife Limited
26. Oxford Infracare Lift Limited
27. Partners 4 Lift Limited
28. Prima 200 Limited
29. Realise Health Limited (Cochester & Tendering)
30. Resound (Health) Limited c/o Sutton Harbour Holdings
31. RWF Health & Community Developers Limited
32. Sandwell Lift Project Company (No1) Limited
33. Solent Community Solutions Limited
34. Southern Derbyshire Lift Company Limited
35. Topco (MaST) Limited

All of these companies are engaged in providing new and improved primary and community based healthcare facilities. As at 31 March 2005, all these companies were still at an early stage in their development and the related equity investments have therefore been valued at cost. In the opinion of the directors, there is no significant difference between the fair value of the debt investments and their cost and hence these investments have also been recorded at cost.

## 9 DEBTORS

	2005	2004
	£	£
Trade debtors	1,522,376	303,831
Amounts recoverable from contracts	887,239	1,088,581
Prepayments and accrued income	-	41,676
Other debtors	-	119,465
Deferred tax asset	1,266	-
	<u>2,410,881</u>	<u>1,553,553</u>

Included within trade debtors is an amount of £381,875 which is due after more than one year (2004: £Nil).



# PARTNERSHIPS FOR HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

### 10 CREDITORS – amounts falling due within one year

	2005 £	2004 £
Trade creditors	138,718	229,206
Payments received on account	-	389,836
Corporation tax	566,553	-
Other taxation and social security	201,043	12,777
Other creditors	22,339	16,723
Accruals and deferred income	1,082,980	842,660
	<u>2,011,633</u>	<u>1,491,202</u>

### 11 CREDITORS – amounts falling due after more than one year

	2005 £	2004 £
Debts maturing in more than five years:		
6% Unsecured Loan Stock 2021	<u>6,125,151</u>	<u>4,125,151</u>

A further 1,000,000 and 1,000,000 £1 units of ULS were allotted and issued as fully paid in June 2004 and March 2005.

All issues were split equally between the Company's shareholders. 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.

# PARTNERSHIPS FOR HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

### 12 CALLED UP SHARE CAPITAL

Authorised	2005 Number of shares	2004 Number of shares
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid	2005 £	2004 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

### 13 PROFIT AND LOSS ACCOUNT

	2005 £
(Accumulated loss) brought forward at 1 April 2004	(2,960,638)
Profit for the year	<u>4,204,816</u>
Retained profit carried forward at 31 March 2005	<u>1,244,178</u>

### 14 MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £
Shareholders' (deficit) as at 1 April 2004	(1,960,638)
Profit for the year	<u>4,204,816</u>
Shareholders' funds as at 31 March 2005	<u>2,244,178</u>

Shareholders' funds are all attributable to equity interests.

# PARTNERSHIPS FOR HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

### 15 CONTINGENCIES AND COMMITMENTS

At 31 March 2005, 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>66,034</u>

As at 31 March 2005, 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 £4,039,533 (2004: £180,758)

### 16 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2005 £	2004 £
Operating profit	4,512,778	67,482
Depreciation	6,890	8,000
(Increase) in debtors	(345,294)	(1,410,902)
(Decrease) / increase in creditors	(342,186)	243,295
Cash inflow / (outflow) from operating activities	<u>3,832,188</u>	<u>(1,092,125)</u>

### 17 ANALYSIS OF NET DEBT

	At 1 April 2004 £	Cash flow £	At 31 March 2005 £
Cash at bank	877,212	(138,056)	739,156
Debt due after one year	(4,125,151)	(2,000,000)	(6,125,151)
	<u>(3,247,939)</u>	<u>(2,138,056)</u>	<u>(5,385,995)</u>

## PARTNERSHIPS FOR HEALTH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2005

#### 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 £576,257 (2004: £336,207). Partnerships UK plc earned interest on the Unsecured Loan Stock ("ULS") of £289,060 (2004: £95,746). At 31 March 2005, the Company owed £359,434 (2004: £239,690) to Partnerships UK plc in respect of services and interest and a further £3,063,110 (2004: £2,063,110) in respect of ULS.

During the year, the Department of Health provided accommodation and other services to the Company amounting to £150,588 (2004: £137,272). The Department of Health earned interest on the ULS of £285,120 (2004: £96,386). At 31 March 2005, the Company owed £187,823 (2004: £286,391) to the Department of Health in respect of services and interest, and £ 3,062,041 (2004: £2,062,041) in respect of ULS.