

07/6/04

PARTNERSHIPS FOR HEALTH LIMITED

Annual report and financial statements
for the year ended 31 March 2004



A51 *A2GEFYYE* 0409
COMPANIES HOUSE 30/09/04
Company number: 4220587

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2004

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During the previous periods, the Company developed standardised procurement and commercial documentation for use in projects to deliver investment in new and improved local primary and community based healthcare facilities. Following from this, the Company provided active support in the development and procurement of a programme of such schemes.

The first six of the programme of procurements were completed during the year and a further four since the year end, with the rest of the programme of schemes now in procurement. The Company expects to invest in the local companies that will be set up to deliver the required investment, and has invested in all schemes to date. Procurement support revenue has been recognised on each of the completed schemes.

There are a further 32 procurements in progress, many of which are expected to be completed during 2004/5, although completion is dependent on agreement being reached between the parties. As each procurement is completed, PfH expects to receive revenue for its procurement support, and to invest in the new local business.

RESULTS AND DIVIDEND

The Company's pre-tax loss for the year amounted to £107,767 (2003: loss £1,363,241) as shown on page 5. The directors do not propose the payment of a dividend for the year (2003: £nil).

CAPITAL

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

On 11 April 2003, the Company increased the maximum 6% Unsecured Loan Stock 2021 which may be issued from £3,000,000 to £9,000,000. The Company allotted and issued for cash £700,000 6% Unsecured Loan Stock 2021 in June 2003, £700,000 6% Unsecured Loan Stock 2021 in July 2003 and a further £1,000,000 Unsecured Loan Stock 2021 in October 2003.

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 2004, each shareholder had provided funding of £2,550,000 to PfH. A further £2,450,000 is available from each shareholder to support the investment business. On the basis of this commitment of future funding and also the projected results for the year to 31 March 2005, 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.

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

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
James Stewart ¹		
Adrian Montague, Chairman		30 June 2003
Peter Wearmouth ²		
Rob Webster ²		16 October 2003
Peter Coates ²		
Richard Baldwin		
Anthony Everington		
David Goldstone ¹ Chairman		
Brian Johns, Chief Executive * ¹		
Patrick Clyne ²	23 October 2003	

* Executive.

¹ Partnerships UK plc nominee.

² Department of Health nominee.

None of the directors were shareholders 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. Under the Shareholders' Agreement, certain decisions require the agreement of at least one nominee director from each shareholder.

SHAREHOLDERS

At 31 March 2004, 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 39 days' purchases (2003: 106 days).

PARTNERSHIPS FOR HEALTH LIMITED

DIRECTORS' REPORT (continued)

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 robust, given its nature. They have agreed that full compliance with the requirements of the Principles of Good Corporate Governance and Code of Best Practice as set out in Section 1 of the Combined Code issued in June 1998 and annexed to the Listing Rules of the Financial Services Authority 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.

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


L A Ward

Secretary

12 JULY 2004

Room 11/2, 11th 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 historical cost convention and 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 2004 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

12 July 2004

PARTNERSHIPS FOR HEALTH LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2004

	Note	2004 £	2003 £
Turnover	1	2,585,807	13,007
Administrative expenses		(2,518,325)	(1,330,205)
Operating profit/(loss)		<u>67,482</u>	<u>(1,317,198)</u>
Interest receivable from banks		16,883	7,776
Interest payable on 6% Unsecured Loan Stock		(192,132)	(53,819)
Loss on ordinary activities before taxation		<u>(107,767)</u>	<u>(1,363,241)</u>
Tax on loss on ordinary activities	5	-	-
Loss for the financial year	12	<u><u>(107,767)</u></u>	<u><u>(1,363,241)</u></u>

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

The Company results are wholly attributable to continuing activities.

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

The notes on pages 8 to 15 form an integral part of these financial statements.

PARTNERSHIPS FOR HEALTH LIMITED

BALANCE SHEET as at 31 March 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	6	6,890	14,890
Investments	7	<u>1,218,060</u>	<u>-</u>
		1,224,950	14,890
CURRENT ASSETS			
Debtors	8	1,553,553	142,651
Cash at bank		<u>877,212</u>	<u>770,514</u>
		2,430,765	913,165
Creditors: amounts falling due within one year	9	<u>(1,491,202)</u>	<u>(1,080,926)</u>
NET CURRENT ASSETS/(LIABILITIES)		939,563	(167,761)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,164,513</u>	<u>(152,871)</u>
Creditors: amounts falling due after more than one year	10	(4,125,151)	(1,700,000)
NET LIABILITIES		<u>(1,960,638)</u>	<u>(1,852,871)</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,000,000	1,000,000
Deficit on profit and loss account	12	(2,960,638)	(2,852,871)
EQUITY SHAREHOLDERS' DEFICIT	13	<u>(1,960,638)</u>	<u>(1,852,871)</u>

Approved by the Board on 11/6/2004 and signed on its behalf:

Brian Johns

Director

The notes on pages 8 to 15 form an integral part of these financial statements.

PARTNERSHIPS FOR HEALTH LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2004

	Note	2004 £	2003 £
Cash outflow from operating activities	15	(1,092,125)	(783,855)
Returns on investments and servicing of finance:			
Interest received		16,883	7,776
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		-	(14,000)
Purchase of investments		(1,218,060)	-
Cash outflow before financing		<u>(2,293,302)</u>	<u>(790,079)</u>
Financing:			
Increase in debt		2,400,000	1,200,000
Increase in cash in the year		<u>106,698</u>	<u>409,921</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		106,698	409,921
Increase in debt		(2,400,000)	(1,200,000)
Change in debt resulting from cash flows		<u>(2,293,302)</u>	<u>(790,079)</u>
Non-cash movements		(25,151)	-
Net debt at 1 April 2003		<u>(929,486)</u>	<u>(139,407)</u>
Net debt at 31 March 2004	16	<u>(3,247,939)</u>	<u>(929,486)</u>

The notes on pages 8 to 15 form an integral part of these financial statements.

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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 2004, each shareholder had provided funding of £2,550,000. A further £2,450,000 is available from each shareholder. On the basis of this commitment of future funding and also the projected results for the year to 31 March 2005, the directors believe it is appropriate to prepare accounts on a going concern basis.

Turnover

Turnover comprises sales revenue from the Company's procurement support agreements. All turnover arises from continuing activities within the United Kingdom.

Revenue other than procurement support revenue, which is described below, 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
-------------------------------	---------

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2004

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 Guidelines for the Valuation and Disclosure of Venture Capital Portfolios, the revised version of which was issued by the British Venture Capital Association (BVCA) in July 2003. 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 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2004	2003
	£	£
Auditors' remuneration	6,815	3,700
Standardisation	87,955	129,438
Operating leases – land and buildings	50,400	50,400
Depreciation	<u>8,000</u>	<u>7,999</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 2004

3 EMPLOYEES

	2004 £	2003 £
Wages	362,675	199,168
Social security costs	43,365	21,709
Other pension costs	27,387	11,827
	<u>433,427</u>	<u>232,704</u>

The average number of employees of the Company during the year was five (2003: three). During the year, the Company has employed staff directly and continues to use staff seconded from Partnerships UK plc and the Department of Health. The cost of these seconded staff was £247,976 (2003: £192,122).

The Company contributes to employees' own personal pension schemes. As at 31 March 2004, the Company had no liabilities in respect of money owed to scheme managers (2003: £nil).

4 DIRECTORS' EMOLUMENTS

Directors' emoluments paid by the Company amounted to £20,500 in respect of the year (2003: £21,500). The Company also paid Partnerships UK plc £142,720 (2003: £143,707) in respect of the services of two directors. The Company also paid one director £8,333 in respect of work done on three of the Company's investee companies of which he is a Director of one. (2003: nil).

5 TAXATION

There is no corporation tax credit for the year (2003: nil). The tax credit for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	<u>(107,767)</u>	<u>(1,363,241)</u>
Profit/(loss) on ordinary activities before taxation at 30% (2003: 30%)	(32,330)	(408,972)
Effects of:		
Disallowed items	155	222
Capital allowances for the year below/(in excess) of depreciation	1,838	(2,550)
Tax loss not recognised as a deferred tax asset	<u>30,337</u>	<u>411,300</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2004

5 TAXATION continued

The Company has an unrecognised deferred tax asset, based on a corporation tax rate of 30% (2003: 30%), as follows:

	2004 £	2003 £
Tax losses carried forward	871,228	840,891
Accelerated capital allowances	(379)	(2,217)
	<u>870,849</u>	<u>838,674</u>
Unrecognised deferred tax asset at 1 April 2003	838,674	
Tax loss not recognised as a deferred tax asset	30,337	
Capital allowances for the year below depreciation	1,838	
Unrecognised deferred tax asset at 31 March 2004	<u>870,849</u>	

The recovery of the Company's tax losses carried forward is dependent on its future trading results.

6 TANGIBLE FIXED ASSETS

	Office and computer equipment £
Cost	
As at 1 April 2003 and 31 March 2004	<u>24,000</u>
Depreciation	
As at 1 April 2003	9,110
Charge for the year	8,000
At 31 March 2004	<u>17,110</u>
Net book value at 31 March 2004	<u>6,890</u>
Net book value at 1 April 2003	<u>14,890</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2004

7 INVESTMENTS

Cost at 1 April 2003	-
Additions	1,218,060
At 31 March 2004	<u>1,218,060</u>

The Company has made the following investments in the year, each of which is a 20% shareholding:

East London LIFT Accommodation Services Limited
 East Lancashire Building Partnership Limited
 Barking and Havering Lift (Holdings) Limited
 Barnsley Community Solutions Limited
 Sandwell Lift Company Limited
 Foundation for Life Limited

All of the companies are engaged in providing new and improved primary and community based healthcare facilities.

The investments are at an early stage in their development and have been valued at cost.

8 DEBTORS

	2004 £	2003 £
Trade debtors	303,831	10,891
Amounts recoverable from contracts	1,088,581	-
Other debtors	119,465	131,760
Prepayments and accrued income	41,676	-
	<u>1,553,553</u>	<u>142,651</u>

9 CREDITORS – amounts falling due within one year

	2004 £	2003 £
Payments received on account	389,836	327,244
Trade creditors	229,206	384,696
Other taxation and social security	12,777	-
Other creditors	16,723	-
Accruals and deferred income	842,660	368,986
	<u>1,491,202</u>	<u>1,080,926</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2004

10 CREDITORS – amounts falling due after more than one year

	2004	2003
	£	£
Debts maturing in more than five years:		
6% Unsecured Loan Stock 2021	<u>4,125,151</u>	<u>1,700,000</u>

700,000 £1 units of 6% Unsecured Loan Stock 2021 (“ULS”) were allotted and issued as fully paid in June 2003. A further 700,000 and 1,000,000 £1 units of ULS were allotted and issued as fully paid in July 2003 and October 2003 respectively. Both 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 this 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.

11 CALLED UP SHARE CAPITAL

Authorised	2004	2003
	Number of shares	Number of shares
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid	2004	2003
	£	£
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2004

12 PROFIT AND LOSS ACCOUNT

	2004 £
Loss brought forward at 1 April 2003	(2,852,871)
Loss for the year	<u>(107,767)</u>
Loss carried forward at 31 March 2004	<u>(2,960,638)</u>

13 MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2004 £
Shareholders' deficit as at 1 April 2003	(1,852,871)
Loss for the year	<u>(107,767)</u>
Shareholders' deficit as at 31 March 2004	<u>(1,960,638)</u>

Shareholders' funds are all attributable to equity interests.

14 CONTINGENCIES AND COMMITMENTS

At 31 March 2004, 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>50,400</u>

15 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO OPERATING CASH FLOW

	2004 £	2003 £
Operating profit/(loss)	67,482	(1,317,198)
Depreciation	8,000	7,999
(Increase)/decrease in debtors	(1,410,902)	37,258
Increase in creditors	243,295	488,086
Cash outflow from operating activities	<u>(1,092,125)</u>	<u>(783,855)</u>

PARTNERSHIPS FOR HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2004

16 ANALYSIS OF NET DEBT

	At 1 April 2003 £	Cash flow £	Non-cash movements £	At 31 March 2004 £
Cash at bank	770,514	106,698	-	877,212
Debt due after one year	(1,700,000)	(2,400,000)	(25,151)	(4,125,151)
	<u>(929,486)</u>	<u>(2,293,302)</u>	<u>(25,151)</u>	<u>(3,247,939)</u>

17 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 £336,207 (2003: £278,338). Partnerships UK plc earned interest on the ULS of £95,746 (2003: £27,353). At 31 March 2004, the Company owed £239,690 (2003: £118,608) to Partnerships UK plc in respect of services and interest and a further £2,063,110 (2003: £850,000) in respect of ULS.

During the year, the Department of Health provided accommodation and other services to the Company amounting to £137,272 (2003: £90,281) and provided free of charge the full time equivalent of two staff (2003: two). The Department of Health earned interest on the ULS of £96,386 (2003: £26,466). The Company acted as agent on behalf of the Department of Health in respect of business of £62,591 (2003: £2,999,698). At 31 March 2004, the Company owed £286,391 (2003: £426,808) to the Department of Health in respect of services and interest, and £ 2,062,041 (2003: £850,000) in respect of ULS and a further £389,836 in respect of payments received in advance (2003: £327,244).

Bank 1: 1800-100
Barclays 70714682 C

Partnerships UK PLC
Reconciled Cash / Bank Statement

12/07/2004
9:40 am

Date	Posting	Source	Code	Ref	Withdrawals	Deposits	Balance	Recon
Balance Brought Forward							5,691,780.86	
12/07/2004	115820	SLP	DENI	861	0.00	22,545.90	22,545.90Y	
Totals:						22545.90	22545.90	
Total inc. BBF:							5,714,326.76	