PARTNERSHIPS UK PLC

Company Number 03993425

Chairman's Statement

It was with pleasurable anticipation that I took over as Chairman of PUK in June 2007 I am happy to report that, in line with its evolving strategy, my first year has seen PUK continue to grow in stature and widen the breadth of its mandate The ever developing needs of our public sector client base mean that we too must ensure we prepare for and help deliver that change I believe we have demonstrated that ability this year by the variety, as well as scale, of national and local government imperatives we have helped to deliver

PUK has continued to deliver in its traditional large infrastructure procurement market The close of the Future Strategic Tanker Aircraft project despite the prevailing difficult market conditions was particularly pleasing Our work on operational projects has also continued to develop The Operational Taskforce has increased awareness of the importance of effective contract management and we have helped with the smooth implementation of some significant variations to contracts as well as the efficient delivery of many value testing exercises

It is satisfying to see our work expand into a number of new areas as diverse as Nuclear Decommissioning, Flood Defence and e-Borders We have also continued to work across the whole of the UK, on the Board of SIB in Northern Ireland, working in Scotland on the requirement for a Scottish Futures Trust, and helping to set up a waste programme in Wales Our collaboration with Defra and the 4Ps on the waste programme in England has delivered some significant successes and we are confident this will continue in the current year Our programme of helping PCTs prepare themselves to split their commissioning and delivery functions, which is likely to have wider significant application in other areas of the public sector, and where the work has been led by our Public Services group, is evidence of the benefit of our investing time and effort in identifying and developing new markets for our skills

The Advisory Council continues to be a significant help to us in guiding our strategic direction as well as acting as a sounding board for new initiatives and ventures This year has seen changes in the membership of the Council and we thank those who have moved on for their support whilst in office

Before I come to changes to the Board, it is with great sadness that we must record the sudden deaths of Sir Derek Higgs and Nico Lethbridge each of whom made significant contributions to our Board over a number of years Derek helped set up PUK and was Chairman of the Board for seven years, quite simply, without him, PUK would not be what it is today David Goldstone stepped down in July 2007 and has been succeeded as Finance Director in the current year by Craig Anderson Christina McComb and Andy Friend have also joined the Board During the year Claudia Arney stepped down from the Board in her capacity as a Treasury nominee and was re-appointed as an independent Director In April 2008 Stephen Lovegrove joined the Board as a Treasury nominee

Finally, I must congratulate James Stewart and all the staff of PUK for another successful year They, together with my non-executive director colleagues, are a committed and collegiate group without whose qualities PUK would be a much lesser business I have very much enjoyed my first year as PUK's Chairman

Gordon Horsfield
Chairman

9 June 2008

Chief Executive's Review

Business Highlights

Twelve months ago, we recognised the need to create greater diversification in the activities of PUK in order to increase our impact in the public sector further and to respond to the significant changes affecting many of our stakeholders

Twelve months on, we are still facing change and volatility in the demand for our services and there is a continuing need to be flexible and responsive The upside of change is that it brings increased opportunities and we have already taken advantage of some of these in the last twelve months

Highlights of the last year include

- Supporting the successful closures of the Dumfries and Galloway schools project, e-Borders and the Future Strategic Tanker Aircraft project,
- Successfully diversifying our business beyond PFI with significant new assignments on Crossrail, Nuclear Decommissioning and Student Loans,
- Partnerships for Schools supporting the financial close of eleven new Local Education Partnerships, and
- Successfully establishing a new business in the public service markets supporting programmes like community health services

When PUK was originally set up we committed, as part of our public sector mission, to reinvest part of our returns back into the market Examples of this type of activity this year include

- Funding of the Projects Database, as the definitive source of PFI market information, free at the point of use, and
- Supporting the development of guidance on the procurement of ITC projects

Long Term Objectives

Two years ago we agreed some long term goals for the business Although we have made very significant progress in achieving these objectives, the goals remain relevant and valid to the business today with a few important supplements

Support the public sector in the improvement of public services

In response to building on our strengths and continuing to differentiate ourselves:

- **Preserve the unique role of PUK. Maintain PUK's public sector mission and maintain its niche of working across the UK and only with and for the public sector;**
- **Focus on where we add most value to the public sector;**
- **Maintain our focus on quality and excellence.**

In responding to requests to diversify our activities:

- **Maintain PUK as centre of expertise for the support of PFI, PPP, and technology-enabled business change projects;**
- **Continue the development of PUK into a centre of expertise for the support of wider procurement and Public Service business;**
- **Develop an operational support capability to match the procurement capability.**

In looking to build a business with greater flexibility, sustainability and robustness:

- **Be a market opener;**
- **Build activities with critical mass;**
- **Build an equity investment portfolio of £25m in three years time;**
- **Achieve liquidity in our balance sheet investments.**

Chief Executive's Review

Two years ago we identified that the pattern of demand for PUK's resources, know-how and experience was changing and that we needed to respond accordingly We agreed that we should increase our support for operational projects and for wider public procurement In line with its mission PUK has been at the forefront of developments in these two areas

An important addition to our long term goals has been the recognition of our need to diversify into the public services market This has been both consistent with our overarching objective of supporting the improvement of public services and an opportunity to apply the lessons learned from the development and delivery of PFI/PPP programmes into new and emerging models of public service delivery

The Evolving Nature of PUK Business

The PUK business has evolved substantially since PUK was set up in 2000 These changes have been consistent with changing Government policy and the long-term objectives set out above

PUK's overriding objective is to support the Governments of the day, both centrally, through the devolved administrations and locally, in their objective to improve public services In PUK's early years the main delivery mechanism was PFI and PPP, but over the last seven years the procurement spectrum has become much more complex with many alternative models of procurement emerging PUK has been at the forefront of this changing market, often being the actual catalyst for change

As the methods of procurement have evolved, PUK has extended its remit to cover different combinations of capital investment and public services In the early days of PUK most, if not all, of the projects in which we were engaged were dominated by the need for capital investment with related services having a complementary role within the deal structure PUK has developed over this period to cover a full spectrum of commercial arrangements, including those which are dominated by complex service requirements, but where there is limited scope for capital investment

What brings all these activities together is the focus on improving public services and dealing with the consequences of the public sector interacting with the private sector In all these markets PUK can deploy its core skills

- Stakeholder management,
- Programme development, governance and management,
- Commercial and contracts experience,
- Sector knowledge,
- Management of supply markets,
- Development and application of standard processes and contracts, and
- Investing risk capital

Most fundamentally in all these markets PUK is seeking to fill the gaps in public sector expertise and resources, and help deliver outputs and, where possible, outcomes

Alongside the transacting businesses we also have a balance sheet which supports the investment side of the business The aims of our investment business are to

- Operate within the public sector mission,
- Earn our target rate of return,
- Have PUK invest alongside public sector investors, and
- Look to support improved public services (Building Schools for the Future Investments) or the exploitation of public sector assets (PUK Ventures)

Chief Executive's Review

Business Performance

The financial results for the year were positive with the core transacting business performing on budget and the group as a whole ahead of expectations The Group's turnover, including share of joint ventures, increased to £19 1m (2007 £17 4m) The main reason for this increase was the uplift in Partnerships for Schools ("PfS") revenues

After payment of interest on the 6% Convertible Unsecured Loan Stock ("CULS"), the business has reported a loss before tax of £0 9m (2007 profit £11 4m) As in previous years, Partnerships for Schools has a material impact on the results Expenditure in the year on PfS was £6 3m with revenues of £4 7m, resulting in a negative contribution to profits of £1 6m The sale of Partnerships for Health ("PfH") had a material impact on last year's profit (£12 6m) and if the sale is excluded there was a small improvement in the results

The main features of the financial performance were as follows

- Overall the aggregate of Development Partnership Agreement ("DPA") revenues and support income was the same as last year,
- DPA revenues were £0 8m, £1 7m lower than the previous year as a result of fewer projects being pursued under DPA arrangements,
- The support business turnover was £12 5m, 25% up on last year,
- Turnover included £4 7m of revenue from PfS, and
- The profit before tax includes a write down on the value of the portfolio investments of £0 85m

Prior to 2007/8 PUK had not paid a dividend to its shareholders Shareholders' sole return had been from the interest payable on the CULS The sale of PfH in 2007 represented the first major profit on disposal of a joint venture undertaking for PUK As a direct result of this sale and in consideration of the profits made, the PUK Board approved a dividend payment of £4 5m in June 2007

Overview of Business

PUK has three main business streams

- **Direct Support** – Providing support to central, devolved and local government and other public bodies on the implementation of projects and the development of PPP policy This includes providing support to overseas Governments on the development of PPP programmes,
- **Programmes** – discrete activities supporting a programme of investment or service contracts,
- **Investments** – Investing risk capital via PUK Ventures and investing in Local Education Partnerships ("LEP"s) via Building Schools for the Future Investments LLP

Direct Support

Two years ago we set ourselves two specific objectives in our project support business firstly to extend our activities to cover the operational phase of projects and secondly to diversify our activities beyond PFI The last twelve months have seen us successfully achieve both these objectives

Across PUK we can now see an even spread between PFI and non-PFI activity We don't expect this ratio to change much over the next few years as the PFI pipeline remains strong and therefore PFI projects will continue to play a major part in the PUK business

Chief Executive's Review

In the Projects business, supporting the successful close of the Future Strategic Tanker Aircraft project was a major achievement This complex deal required funding of £2 5bn and PUK played a major part in the negotiations with funders in difficult market conditions PUK also provided support on other PFI projects such as the M25, the Defence Training Review and the Military Flying Training School

In the non-PFI market, PUK considerably expanded its activities Major assignments were on Crossrail, Nuclear Decommissioning, Flood Defence, the Olympics, and the sale of the Student Loans portfolio

In Information Technology and Business Change, we have had a very successful year with the team significantly exceeding its targets A highlight of the year was the successful closing of the e-Borders project which plays a major part in the Government's strategy for securing the UK borders PUK provided significant support at a senior level in the project team and was involved in the governance Other major projects which we supported were the Enabling Savings Retirement Programme with DWP and National Road Pricing with DfT We have also developed a new product offering which focuses on creating better linkages between the policy objectives for a project and actual delivery

The political landscape has changed in the devolved territories with new administrations in place in Scotland, Wales and Northern Ireland It is pleasing to note that PUK has successfully retained its cross-UK mandate

In Scotland the highlight of the year was the closing of the Dumfries and Galloway schools project This was achieved within the original timetable and affordability envelope We also provided significant support on the Edinburgh Trams project PUK has also been working closely with the Scottish Government on the plans for the Scottish Futures Trust

Historically our activities in Wales have been limited However we have recently secured a role to provide support on the waste programme In Northern Ireland we continue to have a close relationship with the Strategic Investment Board and provide specialist support on a range of projects and policy issues

Our Regulatory business focuses on policy support for HM Treasury, the provision of a market-wide help desk, the Operational Taskforce and supporting the implementation of SOPC4 - the guidance on a standard PFI contract

A new revised (fourth) version of SOPC was issued at the beginning of the year This was successfully bedded down as demonstrated by a reduction in the number of derogation requests We also approved six new standard form contracts during the year and helped draft a new change protocol for PFI contracts

The Operational Taskforce has continued to be very active Helpdesk calls now exceed five hundred and during the year we held nine regional seminars with over two hundred and fifty attendees We have also developed alongside our Projects Database, a database of service costs to assist authorities in benchmarking and market testing exercises

On the international front we have seen a step up in opportunities and activities PUK's aim is to work with overseas Governments and multi-lateral agencies at a strategic level rather than support specific projects In this way we can help the export of UK expertise and also learn from best practice elsewhere In the last twelve months, countries we have worked in include India, Pakistan, Australia and Greece

We have continued our policy of external secondments During the year PUK has had secondees in the Ministry of Defence, DWP, Crossrail, DCMS, Defra and PfS Secondment income is shown separately as part of turnover

Chief Executive's Review

Programmes
PUK now has three initiatives running in the Programmes business Partnerships for Schools, Waste Infrastructure Delivery Programme ("WIDP") and the Public Services business Next year we are seeking to set up similar initiatives in other sectors

Partnerships for Schools
2007/8 was a year of delivery, with the end of March seeing PfS hit all of the delivery targets for the financial year as the programme to transform education through rebuilding or remodelling state secondary schools across England has gathered pace

A total of 19 Building Schools for the Future ("BSF") deals have now been signed in local authorities with the private sector, worth over £2 5bn A total of 13 BSF schools are now open nationwide from Newcastle in the north to Bristol in the south One of the latest – the Michael Tippett School for students with Special Educational Needs in Lambeth – was officially opened by the Secretary of State for Children, Schools and Families, the Rt Hon Ed Balls MP, on 3 April

72 local authorities and over 1,000 schools are now engaged in BSF By the end of 2008/9 a further 35 BSF schools will have opened and this will increase to around 200 every year from 2011 onwards The programme is already beginning to transform the face of education for thousands of young people, their teachers and the communities in which they live

Progress on the Academies programme is also gaining pace PfS is now actively engaged in the procurement of 97 Academy projects through BSF and the National Framework

WIDP
Under EU directives, the UK is obliged to reduce the amount of biodegradable municipal waste that it sends to landfill Specific targets have been set for 2010, 2013 and 2020 To meet these targets requires a range of initiatives from increased recycling rates, to investment in facilities which treat residual waste rather than send it to landfill Almost all these initiatives are undertaken by Local Authorities The targets and associated measures are set out in the Government's Waste Strategy published in 2007 It is the creation of waste treatment facilities that is the focus of Defra's "Waste Infrastructure Delivery Programme"

WIDP comprises a taskforce assembled from the resources of Defra's PFU, PUK and 4Ps WIDP has since been built- up to a team of the equivalent of 25 full time staff, of which 7 people are provided by PUK The overall programme capital cost is of the order of £5-6bn and will be reflected in 30-40 individual procurements – some PFI, some PPP (being the same as PFI but without PFI credits) and some conventionally procured, including use of prudential borrowings WIDP supports all these modes of procurement PUK's contribution includes membership of the WIDP programme board, secondments into Defra's PFU and deployment of transactors in the field supporting individual Local Authorities WIDP won the internal Defra prize for the best team in 2007

Public Services
BERR has recently estimated that, at £25bn, the public services industry is the third largest industry sector in the UK in terms of "added value", outstripping the food & drink, aerospace and pharmaceutical industries "Added value" is measured in terms of net contribution to the economy by the private and 3rd sectors or by social enterprises, and its size, therefore, actually excludes activity undertaken "in-house" by the public sector If such activity were included, public services would be, by some distance, the largest single industry in the UK

Chief Executive's Review

PUK's Public Services team has been created to act alongside public bodies to change the way in which public services are delivered It will do this by helping the public sector build new markets or re-shape existing ones, typically through designing and implementing new structures for commissioning and public services provision

These activities combine support at the policy level with practical help to public bodies trying to work in new ways at the boundary between buying and supplying public services PUK's Public Service team aims to be at the forefront of market creation and market shaping activity in public services, with an ability to rapidly translate experience gained in one sector to others

Investments
The PUK Ventures business had another successful year and is on track to achieve its objective of investing £25m by 2009 The portfolio of investments at the year end consisted of 12 investments and was valued at £7 3m During the year we made 4 new investments and 6 follow-on investments New investments included Acrobot, which is developing precision tools for robotic orthopaedic surgery, Nexeon, which is developing lithium ion battery technology, Nitech Solutions, which is developing mixing technology for speciality chemicals, oils, pharmaceuticals and biofuels and UMIP Premier Fund

During the year we also made one disposal the remaining 50% of our holding in Imperial Innovations In addition we wrote down the value of one of our portfolio investments

The other major investment activity is our involvement in Building Schools for the Future Investments LLP ("BSFI") During the year BSFI invested £4 3m and PUK increased its commitment to invest from £10m to £20m

Performance against Key Business Objectives

The Board monitors the progress of the business against a number of key objectives agreed as part of each year's business planning process The key objectives this year, with comments on the extent to which they have been achieved, included the following

- Supporting the delivery of the PFI/PPP pipeline – PUK continued to play an influential role in the PFI/PPP market supporting the development of policy and the implementation of major projects and programmes,
- Positioning PUK across a broader spectrum of projects – nearly 50% of PUK's income is now derived from outside the PFI market During the year PUK became involved in a number of significant non-PFI projects such as Crossrail and Nuclear Decommissioning,
- Providing leadership in creating new markets and models – during the year PUK has been at the forefront of creating new markets for public services particularly in Community Healthcare
- Achieving the annual budget – the budget level of performance was exceeded for the Group If the joint ventures are excluded the business was on budget

There are other objectives that were set out in the Business Plan, and the Board has monitored progress against them on a regular basis

Chief Executive's Review

Outlook for the Future

The business plan and objectives provide a positive outlook for next year

We will continue to focus on supporting the delivery of projects across the procurement spectrum with PFI/PPP projects still playing a major part Our involvement will span both the procurement and operational phases We will also support the schools and waste programmes through our involvement in PfS and WIDP and look to start similar initiatives in other sectors We will invest further in the Public Services business We will also seek to use our risk capital effectively in support of our public sector mission and business plan objectives

Responding to increased emphasis on alternative procurement methods within the public sector, we will put greater resources into providing leadership in these areas to ensure that value for money is maintained for the tax payer

Employees

One of the original objectives in setting up PUK was to create a permanent centre of expertise where there was continuity of staff and therefore a gradual building and retention of knowledge and experience The fact that we have successfully achieved this aim is a testament to the quality and commitment of the staff

I would like to thank all the staff for their help and support during the year

J. Stewart

James Stewart
Chief Executive
9 June 2008

PARTNERSHIPS UK PLC
DIRECTORS' REPORT
for the year ended 31 March 2008

The Directors present their report together with the consolidated financial statements of Partnerships UK plc (the "Company"), its subsidiary undertakings and interests in joint ventures and joint arrangements (together, the "Group") for the year ended 31 March 2008

Principal activities and business review

The Company was established with the purpose of accelerating the development, procurement and implementation of any type of public private partnership (PPP), involving an interface between the public and private sectors, committing human and financial resources in pursuit of high quality, cost effective and sustainable public services and investments The *Company works exclusively with and for the public sector The Company is a joint venture between the public and private sectors and so is itself a PPP

A review of the Group's operations, including the outlook for the future, is given in the Chairman's Statement and Chief Executive's Review on pages 1 to 8

Results and Dividend

The Group's loss for the year before taxation amounted to £943,000 (2007 profit £11,372,000) and the loss after tax amounted to £1,092,000 (2007 profit £11,595,000), as shown on page 24 The Directors proposed and paid a dividend of £4,500,000 during the year (2007 £nil)

Directors and Directors' interests

The Directors of the Company, who served throughout the year except as noted below, are as follows

Gordon Horsfield [*1 3 4] Appointed 1 April 2007 Chairman from 12 June 2007

Sir Derek Higgs, Chairman [*1 3] Resigned 12 June 2007

James Stewart, Chief Executive [1]

Michael Gerrard , Deputy Chief Executive [1] (appointed to Investment Committee in July 2007)

David Goldstone, Finance Director Resigned 6 September 2007

Andrew Rose [1] Resigned from Investment Committee July 2007

David Clements [*2 3 4]

Christina McComb [1] Appointed 18 July 2007

Gren Folwell [*2 3 4]

Nicolas Lethbridge [*1 3] Deceased 16 August 2007

Sir Steve Robson CB [* 1 3 4]

Andrew Friend [* 1 3 4] Appointed 1 April 2007

Peter Schofield [*0 2 3 4]

Claudia Arney [*0 3 4] Resigned 21 February 2008

Claudia Arney [*3 4] Appointed as independent director 20 March 2008

Craig Anderson Appointed 22 May 2008

Stephen Lovegrove [*0 3 4] Appointed 30 April 2008

* Non-Executive
[1] Investment Committee
[4] Nominations Committee
[0] HM Treasury nominees
[2] Audit Committee
[3] Remuneration Committee

None of the Directors held an interest in the shares of the Company or its subsidiaries during the year

The Chairman, Gordon Horsfield, is a non-executive director of Norwich and Peterborough Building Society, a non-executive director of Turner & Townsend plc, Chair of the Council of the University of York and Chairman of the Strategy Committee to the Ampleforth Abbey Trust He stepped down as Chairman of Drax Group plc on 17 April 2008

Shareholders

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

	Shares	Percentage holding
A Ordinary shares		
The Prudential Assurance Company Limited	888,888	8 89
Bank of Scotland Corporate (Uberior Infrastructure Investments Limited)	888,888	8 89
Abbey National Treasury Services plc	666,666	6 67
Sun Life Assurance Society plc (HSBC Global Custody Nominees (UK) Limited)	666,666	6 67
Barclays Industrial Investments Limited	605,558	6 06
Royal Bank Project Investments Limited	605,558	6 06
Serco Limited	333,332	3 32
The British Land Company plc (Boldswitch Limited)	222,222	2 22
Global Solutions Limited	222,222	2 22
	5,100,000	51 00
B Ordinary shares		
H M Treasury	4,455,556	44 56
The Scottish Ministers	444,444	4 44
	4,900,000	49 00
Total	10,000,000	100 00

Corporate governance

The Company's Statement of Corporate Governance is set out on Pages 13 to 21

Principal Risks and Uncertainties

The Company's business is focused on supporting the public sector, particularly in relation to commercial relationships with the private sector, to meet Government policy and service delivery priorities There is an inherent risk in the Company's business, as it could be significantly affected by future changes in the direction of Government priorities, both in terms of specific public service areas and in the form of commercial engagement with the private sector Beyond the potential impact of changes in Government policy, the principal risks and uncertainties in the Company's business are in relation to maintaining its reputation as a centre of expertise in PPPs and other forms of public procurement This in turn is highly dependent on the Company's ability to recruit and retain staff of the necessary quality The Company is also exposed to the changes in the market value of its portfolio of investments and to the risks affecting the performance of its joint ventures and joint arrangements All of these risks are reviewed as part of the corporate approach to risk management described in the Statement of Corporate Governance

Financial risk management

With the exception of the Convertible Unsecured Loan Stock (CULS) (detailed in Note 16 to the accounts), the Company had no indebtedness as at 31 March 2008 The CULS carries a fixed rate of interest The Company receives interest income on certain investments and on its cash balances The interest rates on the investments are fixed, but the Company effectively receives a floating rate on its cash balances The Company does not hold any derivative financial instruments to manage interest rate risks, no hedge accounting is applied

The Group is exposed to fluctuations in the market value of its portfolio investments, which are accounted for at fair value in accordance with the policy set out in Note 1 to the accounts

The Company works exclusively for public sector entities and consequently the Company has low counterparty credit risk in its support and advisory operations Financial risk in Development Partnership Agreements, investment and other transactions is managed in accordance with the Internal Control and Risk Management procedures detailed in the Statement of Corporate Governance

The Company's policy is that cash balances and other funds held on short term deposits are only invested in AAA rated money market funds or with clearing banks

The Company monitors on a regular basis all anticipated commitments or undertakings to fund additional investments or the costs under Development Partnership Agreements, to ensure that these are matched by available funds including borrowing facilities The Company's surplus cash is held in money market funds and with clearing banks

The Company does not have a significant exposure to foreign currencies, as the majority of its transactions are denominated in Sterling

Third Party Indemnities

The Company's articles of association permit the Company to indemnify every Director or officer out of the assets of the Company against liability, loss or expenditure incurred by him in defending court proceedings in instances where judgement is given in his favour

The Directors have exercised the right to maintain insurance at the expense of the Company against any liability in respect of errors and omissions of Directors or officers of the Company

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 auditors are unaware For this purpose, "relevant audit information" comprises the information needed by the 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 auditors are aware of that information

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 24 days' purchases (2007 21 days)

Charitable donations

The Company has made charitable donations of £7,913 (2007 £nil)

Auditors

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

By order of the Board

JGM Ballingall

James Ballingall
Secretary
10 Great George Street
London SW1P 3AE

9 June 2008

Combined Code Compliance

The Board values good corporate governance both in the areas of accountability and risk management and also as a positive contribution to the development of the business

The policy of the Board in 2007/8 has been to manage the Company's affairs in accordance with the Financial Reporting Council's Combined Code on Corporate Governance, annexed to the Listing Rules of the Financial Services Authority ("the 2006 Code"), so far as the Board considers appropriate and relevant to the nature and scale of the Company's operations

This report, therefore, addresses how the Company has applied the main and supporting principles of the 2006 Code where compliance is considered appropriate The Board considers that it has complied with the provisions set out in Section 1 of the 2006 Code except as identified and explained in the appropriate sections below

The corporate governance covered by this statement relates to the Company itself and its subsidiaries Separate corporate governance arrangements are in place for its joint venture and joint arrangement, Partnerships for Schools, and Building Schools for the Future Investments LLP ("BSFI") The Company's Directors play a full part in the corporate governance arrangements of the joint venture and joint arrangement, including, as appropriate, being members of their Audit Committees and Investment Committees

Relations with Shareholders

The Board is accountable to shareholders for the direction and supervision of the Company's affairs

The Company recognises the importance of a constructive relationship between the Board (both Executive and Non-Executive Directors) and its shareholders It values a regular dialogue with the shareholders, whose views are communicated to the Board as a whole Two meetings, including the Annual General Meeting ("AGM"), are held with shareholders each year, and half yearly management accounts are distributed to all shareholders All Directors are invited to attend all meetings with shareholders

The Board is accountable to shareholders, which is reinforced through the requirement for Directors to stand for re-election every three years with the exception of the two nominees of HM Treasury (the holder of 44 6% of the total shares in the Company) During the year the HM Treasury nominees were Claudia Arney (resigned 22 February 2008) and Peter Schofield

Directors seeking re-election at the 2008 AGM are Gren Folwell, Andrew Rose and James Stewart Also standing for election will be Claudia Arney who resigned from the Board as an HMT nominee director on 22 February 2008 and was reappointed as an independent non-executive director on 20 March 2008, Christina McComb, who was appointed to the Board on 18 July 2007 and Craig Anderson who was appointed to the Board on 22 May 2008

Public Sector Mission and Advisory Council

PUK has been established with a defined public sector mission The following is the relevant object contained in PUK's Memorandum of Association

"To assist governments (whether local, municipal, regional, national, devolved, supreme, state, federal or otherwise, and whether of the United Kingdom or elsewhere) and other public bodies in the United Kingdom and elsewhere in the development, procurement, financing, implementation and management of private finance and public private partnership projects (being projects and undertakings the resources for which are provided partly by public bodies and partly by private persons) by entering into joint ventures, by participating in public private partnership projects with private persons or by acting as an investor, financier, consultant or otherwise, and to promote the development and use of public private partnerships generally"

In support of PUK's public sector mission, an Advisory Council has been established, whose members as at 31 March 2008 are set out on page 45 The Advisory Council is chaired by Nicholas Macpherson, Permanent Secretary to HM Treasury The Advisory Council consists of representatives from Government departments, the Devolved Administrations, local authorities and other public bodies The purpose of the Advisory Council is to review the effectiveness of PUK in fulfilling its public sector mission The Advisory Council meets twice a year and sends a report on PUK's activities to HM Treasury and The Scottish Ministers It is the Council's current practice for these reports to be published by HM Treasury

Composition of the Board

The Company's corporate governance policies require a majority of the Board to be composed of Non-Executive Directors, with a Non-Executive Chairman Sir Derek Higgs was Chairman of the Board until 12 June 2007 and he was then succeeded by Gordon Horsfield

During 2007/8 the Company's Board comprised seven Non-Executive Directors (including the Chairman) and four Executive Directors They have the collective responsibility for ensuring that the affairs of the Company are managed competently and with integrity Two of the Non-Executive Directors, Claudia Arney and Peter Schofield, were nominated by HM Treasury The other Non-Executive Directors are considered by the Board to be independent Sir Derek Higgs resigned as Chairman on 12 June 2007 and was succeeded by Gordon Horsfield Christina McComb was appointed to the Board as an Executive Director on 18 July and David Goldstone resigned as an Executive Director on 12 September 2007 Regrettably, Nico Lethbridge died on 16 August 2007

The Company does not have a Senior Independent Director Such a position has not been considered necessary due to the nature of the Company's shareholdings

Further details of the composition of the Board can be found in the Directors' Report on page 9

Details of Directors' remuneration and the process for its determination are contained below in the Report on Remuneration and Related Matters

The terms and conditions of appointment of Non-Executive Directors are available for inspection during business hours by request to the Company Secretary

Operation of the Board

The Board focuses on the broad business strategy and key policy decisions affecting the Company The Board also monitors the performance of the business against its strategy and targets, delegating more detailed consideration and actions arising from its monitoring to the executive management team, but specifically reserving certain matters for decision by the Board The Board receives regular management performance reports and operates a system of Board review of business performance against key business targets and objectives to enable it to discharge its duties

The Board meets at least nine times each year In 2007/8, it met formally ten times and had one extended informal meeting to discuss the Company's long-term business strategy and vision To achieve the most effective discharge of its functions, the Board has delegated certain powers and duties to the following Board Committees

- the Audit Committee assists the Board in monitoring the Group's accounting policies, internal controls and corporate governance arrangements,

- the Investment Committee approves all investments, disposals and other financings within a defined maximum level of £1million commitment or sale value, and entry into Development Partnerships or other similar agreements within delegated limits, beyond which Board approval is required,
- the Remuneration Committee determines the Company's remuneration policy and also the employment conditions and remuneration packages of the Executive Directors and senior staff , and
- a Nominations Committee comprising the seven Non-Executive Directors and chaired by Gordon Horsfield was set up in February 2008 to lead the process for board appointments and make recommendations to the Board but did not meet before year end The Committee's terms of reference are available for inspection from the Company Secretary

In addition to the above Board Committees, the Company's Management Board assists the Chief Executive in the fulfilment of his duties Membership of the Management Board is comprised of the Executive Directors and other senior staff (not Directors of the Company) The Management Board's terms of reference were approved by the Board

Meetings of the Audit Committee and Remuneration Committee are held on the same day as meetings of the Board whenever possible, whilst meetings of the Investment Committee precede meetings of the Board so that their conclusions and decisions can be recorded and reported to the Board Meetings of the Nominations Committee will take place as required

In the year ended 31 March 2008, the Audit Committee held three meetings, and the Investment Committee eleven meetings The Remuneration Committee held three meetings The following table details the number of Board and Committee meetings held during the year ended 31 March 2008 (as relevant for those appointed during the year) and the attendance record of each Director

	Board	Investment Committee	Audit Committee	Remuneration Committee
Sir Derek Higgs	2/2	2/2	n/a	1/1
Gordon Horsfield	10/10	8/8	n/a	3/3
Claudia Arney	7/9	n/a	n/a	2/2
David Clements	10/10	n/a	3/3	3/3
Gren Folwell	10/10	n/a	3/3	3/3
Andy Friend	10/10	4/4	n/a	3/3
Michael Gerrard	9/10	4/7	n/a	n/a
David Goldstone	4/4	n/a	n/a	n/a
Nicolas Lethbridge	3/4	5/5	n/a	2/2
Christina McComb	6/6	11/11	n/a	n/a
Sir Steve Robson	7/10	9/11	n/a	3/3
Andrew Rose	10/10	2/3	n/a	n/a
Peter Schofield	10/10	n/a	3/3	3/3
James Stewart	10/10	11/11	n/a	n/a

When a Director has not been able to attend a Company Board or Committee meeting, their comments on the papers to be considered at that meeting are generally relayed in advance to the relevant Chairman

The Board undertakes a formal evaluation of its own performance and that of its individual Directors (including the Chairman) every two years The latest evaluation was carried out at the end of the 2007/8 financial year and was reported to the Board at its May 2008 meeting

The Audit Committee

The Audit Committee is comprised of three Non-Executive Directors, two of whom are independent As a nominee of HM Treasury, Peter Schofield is not considered by the Board to be independent

The Chairman of the Committee is Gren Folwell, who has recent and relevant financial experience It meets three times a year and assists the Board in reviewing the effectiveness of the Company's internal control systems The Audit Committee also reviews the Annual Report and Financial Statements before their submission to the Board to ensure that they present a fair assessment of the Group's financial position and results The Audit Committee focuses on reviewing any changes in accounting policy, major areas of judgement and estimates, and compliance with accounting principles and regulatory requirements

The Audit Committee has formal terms of reference approved by the Board These are available for inspection from the Company Secretary

The Company's independent external auditors are invited to all meetings of the Audit Committee, as are the Finance Director and the Risk Manager

The Committee also keeps under review the independence and objectivity of the external auditors and their effectiveness, taking into account relevant UK professional and regulatory requirements As part of this, the Committee oversees and reports to the Board the nature and amount of non-audit work undertaken (both absolutely and relative to audit work) by PricewaterhouseCoopers LLP each year to ensure that external auditor independence is safeguarded

The Committee makes recommendations to the Board for it to put to shareholders in general meeting in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors Further roles of the Audit Committee are referred to below

Internal Control and Risk Management

The Directors acknowledge that they are responsible for the system of internal control within the Company and its subsidiaries, for setting policy on internal control and for reviewing the effectiveness of internal control

During the year ended 31 March 2008, the Board has maintained the procedures necessary to comply with the requirements of the 2006 Code relating to internal control, as described in the September 2005 Guidance "Internal Control Guidance for Directors on the Combined Code" (Turnbull Guidance) The Board reports below on the procedures that have been applied in reviewing the effectiveness of the system of internal control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company This process has been in place throughout the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts It is reviewed each year by the Board and the Audit Committee and accords with the Turnbull Guidance

A detailed financial procedures manual has been maintained throughout the year and was updated during the year

A risk assessment matrix is also maintained to identify the significant risks to the business The risk assessment process covers financial, operational and compliance controls The matrix is reviewed annually by the Audit Committee and its findings are reported to the Board An improved form of risk matrix has been introduced during 2007/8

A quality control procedure is in operation whereby projects undertaken by the Company are reviewed The Audit Committee selects a sample of projects for review This involves obtaining feedback from clients, by way of questionnaire, on the quality and effectiveness of PUK's service

The Company has appointed Grant Thornton (formerly RSM Robson Rhodes) as internal auditors Grant Thornton agrees its programme of work with the Audit Committee and reports to the Audit Committee on its findings

The Company's relationship with its joint venture, joint arrangement and portfolio investments is as a shareholder, with no direct management responsibility As such, the internal controls adopted by the Company's joint venture, joint arrangement and portfolio investments are the responsibility of the boards of those companies They are not covered by the Company's process for reviewing the effectiveness of internal control Where the Company has a significant shareholding, it monitors the effectiveness of internal control and risk management arrangements through its membership and participation on the company boards

The Board has approved a "whistle blowing" policy to cover the reporting of misconduct

Business Control

The key features of the Company's system of internal control are

- a well defined management structure with clear accountabilities and delegations,
- a business planning and budget process that delivers detailed annual financial forecasts and targets for Board approval,
- a management information system which enables the Board to receive comprehensive quarterly analysis of the Company's financial and business performance, including variance against budget,
- a risk management function with responsibility for monitoring and reporting on risks and for helping the Board to identify and monitor all major risks to which the Company is exposed, and
- documented procedures and authority levels to ensure that all significant risks are properly assessed and controlled

The role of management is to implement Board policies on risk and control The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss

Going Concern

After reviewing the Group's budget for 2008/9 and its longer term business plan, the Directors are confident that the Company and Group have adequate financial resources to continue in operational existence for the foreseeable future For this reason, they have continued to adopt the going concern basis in preparing the accounts

Report on Remuneration and Related Matters

The Board presents the following report on remuneration policy and practice

Remuneration Committee

The Remuneration Committee during the year was comprised solely of the Non-Executive Directors Gordon Horsfield (Chairman of the Committee), Gren Folwell, Sir Steve Robson, Claudia Arney, David Clements, Nicolas Lethbridge, Andy Friend and Peter Schofield As nominees of HM Treasury, Claudia Arney and Peter Schofield are not considered by the Board to be independent The Committee was chaired initially by Sir Derek Higgs and then Gordon Horsfield

The Committee is responsible for determining the Company's remuneration policy and also the employment conditions and remuneration packages of the Executive Directors and senior staff The terms of reference of the Remuneration Committee are available for inspection from the Company Secretary

In exercising its duty the Committee procures the advice of third party specialists to provide benchmarking of remuneration

The remuneration policy for the Chairman and the other Non-Executive Directors is determined by the Board as a whole The Chairman and the other Non-Executive Directors do not participate in the Company bonus scheme or pension scheme

Policy on Remuneration

The Company's policy is to recruit, motivate and retain high calibre personnel with appropriate transacting and commercial skills, and with an understanding of the unique business of the Company in supporting the Government's public private partnership programme

Elements of Remuneration

Employees receive a basic salary, a discretionary annual bonus and benefits of private medical insurance, death-in service or critical illness benefits and permanent health insurance Discretionary bonuses are linked to the achievement of performance objectives, set as part of an annual objective setting and performance appraisal process

The Company also has a deferred incentive scheme for senior staff The main objective of this scheme is to reward the generation of growth and long-term value in the Company Payment of an award to an individual is deferred for three years after the period to which the award relates Eligibility for an award is determined by the Remuneration Committee The overall level of award is assessed in relation to the Group's performance against defined performance objectives, with the level of individual awards determined by each individual's contribution to the achievement of those objectives In 2007/8, the awards were determined by the Group's performance against the following criteria

- Achievement of financial targets
- Securing and expanding PUK's business activities
- Improving the reputation and standing of PUK
- Growing the value of the joint venture and joint arrangement
- Growing the value of the investment portfolio

The Company has also established a deferred incentive scheme for its equity portfolio investments business The scheme rewards the generation of long-term value through the portfolio of investments Any rewards are dependent on the realisation of profits from disposals In 2007/8 there was a realisation of profits and a provision has been made in the accounts

Pensions

The Company makes contributions of between 10% and 11% of pensionable salary to a defined contribution scheme or to individual employees' Personal Pension schemes This arrangement is available to all staff

Executive Directors' Contracts and Emoluments

All Executive Directors are on service contracts that contain a notice period of 3 months Each service contract expires at the normal retirement age of the Director, but is subject to earlier termination if notice is given under the terms of the contract Each contract also contains restrictions to protect the confidentiality of information obtained whilst working for the Company

The emoluments received by the Executive Directors in 2007/8 were as follows

Table A: Executive Directors' emoluments

	Service Contract date	Salary £000	Bonus £000	Deferred Incentive Scheme £000s	Benefits in kind £000	**Total 2007/8 £000**	Total 2006/7 £000	**Pension Contributions 2007/8 £000**	Pension Contributions 2006/7 £000
JAGH Stewart	5 Mar 2001	233	175	73	1	**482**	475	**23**	21
MB Gerrard	24 Aug 2002	189	120	55	6	**370**	364	**20**	20
DLA Goldstone++	2 Jan 2002	72	125	60	1	**258**	348	**7**	16
AM Rose	15 Feb 2005	160	115	55	1	**331**	326	**16**	15
CM McComb+++	8 Mar 2006	154	50	-	1	**205**	n/a	**15**	n/a
Total		808	585	243	10	**1,646**	1,513	**81**	72

The amounts disclosed under the Deferred Incentive Scheme are the amounts awarded in the year

JAGH Stewart and MB Gerrard were appointed as directors on 9 June 2000, AM Rose on 16 February 2005 and CM McComb on 18 July 2007 DLA Goldstone was appointed on 1 November 2001 and resigned on 12 September 2007

++Upon his resignation in September 2007, under the terms of the Deferred Incentive Scheme, DLA Goldstone was eligible for and received 50% of his outstanding awards

+++ CM McComb participates in the deferred incentive scheme for the equity portfolio investments business No amounts were awarded in the year

PUK receives fees where Executive Directors serve on the Boards of portfolio investment companies and other entities The Executive Directors receive no incremental remuneration for this work

Table B: Non Executive Directors' emoluments

	Fees 2007/8 £000s	Fees 2006/7 £000s
C Arney	**-**	-
DR Clements	**20**	20
GJ Folwell	**25**	25
Sir Derek Higgs	**10**	50
N Lethbridge	**11**	27
Sir Steve Robson	**27**	27
PHG Schofield	**-**	-
G Horsfield	**50**	-
A Friend	**23**	-
JM Sassoon	**-**	7
Total	**166**	156

Table C: Deferred Incentive Scheme

	Date of award	Payable in year ending 31 March	At 1 April 2007 £000	Awards	Amounts paid £000	Amounts no longer payable	**At 31 March 2008 £000**
JAGH Stewart	31 3 04	2007	42	-	42	-	**-**
	31 3 05	2008	55	-	-	-	**55**
	31 3 06	2009	60	-	-	-	**60**
	31 3 07	2010	73	-	-	-	**73**
	31 3 08	2011	-	73	-	-	**73**
			230	73	42	-	**261**
MB Gerrard	31 3 04	2007	25	-	25	-	**-**
	31 3 05	2008	40	-	-	-	**40**
	31 3 06	2009	45	-	-	-	**45**
	31 3 07	2010	55	-	-	-	**55**
	31 3 08	2011	-	55	-	-	**55**
			165	55	25	-	**195**
DLA Goldstone++	31 3 04	2007	30	-	30	-	**-**
	31 3 05	2008	40	-	20	20	**-**
	31 3 06	2009	45	-	22 5	22 5	**-**
	31 3 07	2010	60	-	30	30	**-**
	31 3 08	2011	-	-	-	-	**-**
			175	-	102 5	72 5	**-**
AM Rose	31 3 06	2009	45	-	-	-	**45**
	31 3 07	2010	55	-	-	-	**55**
	31 3 08	2011	-	55	-	-	**55**
			100	55	-	-	**155**

++ Upon his resignation in September 2007, under the terms of the Long Term Incentive Plan, DLA Goldstone was eligible for and received 50% of his outstanding awards

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year 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 and the Group will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the Board

JGM Ballingall

James Ballingall
Secretary
Registered office
10 Great George Street
London SW1P 3AE

9 June 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARTNERSHIPS UK PLC

We have audited the group and parent company financial statements (the "financial statements") of Partnerships UK plc for the year ended 31 March 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses 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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Chief Executive's Review that is cross referred from the Business Review section of the Directors' Report

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 is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Statement and the Statement of Corporate Governance We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

We also, at the request of the Directors (because the Company applies the Financial Services Authority Listing Rules as if it were a listed company), review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures

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 Group's and 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 Group's and the parent company's affairs as at 31 March 2008 and of the Group's loss 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
9 June 2008

Notes

Where the financial statements are presented on the Partnerships UK plc website

(a) The maintenance and integrity of the Partnerships UK website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Group Profit and Loss Account

for the year ended 31 March 2008

	Note	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Turnover Group and share of joint ventures	2	19,057	17,447
Less share of joint ventures' turnover	11	(67)	(354)
Group turnover	2	18,990	17,093
Administration expenses		(19,670)	(17,815)
Other operating income		345	354
Operating (loss)		(335)	(368)
Share of net operating (loss) in joint ventures	11	(152)	(435)
Total operating (loss) Group and share of joint ventures		(487)	(803)
Profit on sale of joint venture	4	-	12,631
Profit / (loss) on sales of portfolio investments	12	54	(30)
(Loss) / profit on ordinary activities before interest and impairment of investments		(433)	11,798
Interest receivable and similar income	7	2,475	2,076
Impairment of portfolio investments	12	(885)	(272)
Interest payable and similar charges	7	(2,100)	(2,230)
(Loss) / profit on ordinary activities before taxation	3	(943)	11,372
Profit before interest on the 6% Convertible Unsecured Loan Stock and taxation		1,157	13,472
Interest payable on 6% Convertible Unsecured Loan Stock	7	(2,100)	(2,100)
(Loss) / profit on ordinary activities before taxation	3	(943)	11,372
Tax (charge)/ credit on profit on ordinary activities	8	(149)	223
(Loss) / profit on ordinary activities after taxation		(1,092)	11,595
(Loss) / profit for the financial year	18	(1,092)	11,595

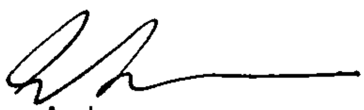
The Group's (loss) / profit before taxation and (loss) / profit for the financial year, on a historical cost basis, are set out on page 28 The Group's results are wholly attributable to continuing activities The notes on pages 29 to 44 form an integral part of these financial statements

Group Balance Sheet

as at 31 March 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
FIXED ASSETS					
Tangible assets	10		565		671
Investments					
Investments in joint ventures	11				
Share of gross assets		7,190		3,297	
Share of gross liabilities		(7,124)		(3,298)	
		66		(1)	
Unsecured Loan Stock issued by joint ventures		6,359		3,120	
		6,425		3,119	
Portfolio investments	12	7,228		5,737	
			13,653		8,856
			14,218		9,527
CURRENT ASSETS					
Work-in-progress					
Due within one year		-		633	
		-		633	
Debtors	14	9,006		7,382	
Cash in hand and at bank		35,522		46,883	
		44,528		54,898	
Creditors amounts falling due within one year	15	(5,019)		(5,125)	
NET CURRENT ASSETS			39,509		49,773
TOTAL ASSETS LESS CURRENT LIABILITIES			53,727		59,300
Creditors amounts falling due after more than one year					
Accruals	16	(1,074)		(1,075)	
6% Convertible Unsecured Loan Stock 2021	16	(35,000)		(35,000)	
			(36,074)		(36,075)
NET ASSETS			17,653		23,225
CAPITAL AND RESERVES					
Called up share capital	17		10,000		10,000
Surplus on profit and loss account	18		7,633		12,761
Revaluation reserve	19		20		464
EQUITY SHAREHOLDERS' FUNDS	20		17,653		23,225

Approved by the Board on 9 June 2008 and signed on its behalf



Craig Anderson
Director

The notes on pages 29 to 44 form an integral part of these financial statements

Company Balance Sheet
as at 31 March 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
FIXED ASSETS					
Tangible assets	10		565		671
Investments					
Investments in joint ventures	11	6,359		3,120	
			6,359		3,120
			6,924		3,791
CURRENT ASSETS					
Work-in-progress					
Due within one year		-		633	
		-		633	
Debtors	14	18,517		14,099	
Cash in hand and at bank		34,108		45,302	
		52,625		60,034	
Creditors amounts falling due within one year	15	(5,035)		(5,144)	
NET CURRENT ASSETS			47,590		54,890
TOTAL ASSETS LESS CURRENT LIABILITIES			54,514		58,681
Creditors amounts falling due after more than one year					
Accruals	16	(1,074)		(1,075)	
6% Convertible Unsecured Loan Stock 2021	16	(35,000)		(35,000)	
			(36,074)		(36,075)
NET ASSETS			18,440		22,606
CAPITAL AND RESERVES					
Called up share capital	17		10,000		10,000
Surplus on profit and loss account	18		8,440		12,606
Revaluation reserve	19		-		-
EQUITY SHAREHOLDERS' FUNDS	20		18,440		22,606

Approved by the Board on 9 June 2008 and signed on its behalf

Craig Anderson
Director

The notes on pages 29 to 44 form an integral part of these financial statements

Group Cash Flow Statement

for the year ended 31 March 2008

	Note	**Year ended 31 March 2008** £000	£000	Year ended 31 March 2007 £000	£000
Cash (outflow)/ inflow from operating activities	22		**(662)**		**24,907**
Returns on investments and servicing of finance					
Interest received		2,232		1,400	
Interest paid		(2,100)		(2,230)	
Dividend paid		(4,500)		-	
			(4,368)		(830)
Taxation recovered / (paid)			364		(257)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(152)		(161)	
Purchase of portfolio investments	12	(3,820)		(3,375)	
Investment in BSFI		(4,240)		(2,119)	
Sale of portfolio investments		1,518		4,073	
Purchase of PfH joint venture share capital	11	-		(2,750)	
			(6,694)		(4,332)
Acquisitions and disposals					
Disposal of joint venture			-		25,813
Cash (outflow) / Inflow before use of liquid resources			(11,360)		45,301
Management of liquid resources					
Short term money market deposits withdrawn			-		246
(Decrease)/ increase in cash in the year	23		(11,360)		45,547
Reconciliation of net cash flow to movements in net debt					
(Decrease) / Increase in cash in the year			(11,360)		45,547
Decrease in liquid resources			-		(246)
Change in net debt resulting from cash flows			(11,360)		45,301
Net funds / (debt) at 1 April 2007			11,882		(33,419)
Net funds at 31 March 2008	23		522		11,882

The notes on pages 29 to 44 form an integral part of these financial statements

Group Statement of Total Recognised Gains and Losses

for the year ended 31 March 2008

	Note	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Profit/ (loss) for the financial year Joint ventures		67	(1)
(Loss)/profit for the financial year Group		(1,159)	11,596
Movement in revaluation reserve		20	464
Total (losses) and gains recognised for the year		(1,072)	12,059
Joint ventures		67	(1)
Group		(1,139)	12,060
Total (losses) and gains recognised for the year		(1,072)	12,059

Statement of historical cost profit

for the year ended 31 March 2008

	Note	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Reported (loss) / profit on ordinary activities before taxation		(943)	11,372
Realisation of revaluation gains of previous years	19	464	1,213
Historical cost (loss) / profit on ordinary activities before taxation		(479)	12,585
Historical cost (loss) / profit for the year retained after taxation		(628)	12,808

Reconciliation of Movements in Group Shareholders' Funds

for the year ended 31 March 2008

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Opening shareholders' funds	23,225	11,166
(Loss) / Profit for the financial year	(1,092)	11,595
Dividend	(4,500)	-
Revaluation gain on portfolio investments	20	464
Closing shareholders' funds	17,653	23,225

The notes on pages 29 to 44 form an integral part of these financial statements

Notes to the Financial Statements

for the year ended 31 March 2008

1. Accounting Policies

Basis of preparation

The financial statements 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 Group's accounting policies and are satisfied that they comply with the requirements of Financial Reporting Standard (FRS) 18 *Accounting Policies*

Basis of consolidation

The Group financial statements comprise the financial statements of Partnerships UK plc and its subsidiary undertakings The results of joint venture undertakings are accounted for on a gross equity basis, which involves recognising the Group's share of the joint venture's gross assets and liabilities, turnover, operating profit, interest and taxation

Joint ventures and arrangements

Contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own are accounted for as joint arrangements The Group recognises its share of the assets, liabilities and cash flows in such joint ventures and arrangements, measured in accordance with the terms of the relevant agreement Profit on disposals of joint ventures and joint arrangements is calculated by comparing the sale proceeds against share of net assets disposed

Turnover

Turnover comprises revenue from the Group's support activities, Development Partnership Agreements ("DPAs"), PfH procurement support agreements, PfS LEP procurements, interest on third party costs (work-in-progress) and secondment income All turnover arises from continuing activities

Revenue from support activities and secondments is recognised as it is earned, and interest on third party costs is accounted for on an accruals basis The recognition of DPAs, PfH procurement support agreements and PfS LEP procurements is described below

Development Partnership Agreements, PfH procurement support agreements, PfS Local Education Partnership procurement agreements

The Company's DPAs, PfH procurement support agreements and PfS LEP procurements 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 The agreements have to be substantially complete before the outcome can be predicted with reasonable certainty and it becomes appropriate to accrue the right to consideration As a result, no revenue is recognised until the later stages of each project

The revenue recognised from these agreements, less payments received and receivable, is included in debtors as "amounts due from joint venture arrangements" or "amounts recoverable from contracts" as applicable

Work-in-progress

Work-in-progress represents external third party costs incurred on behalf of Development Partners that is repayable either at financial close or on cancellation of the project under the terms of the agreement Work-in-progress is valued at the lower of cost and net realisable value

Notes to the Financial Statements

for the year ended 31 March 2008

1. Accounting Policies (continued)

The costs expended on Development Partnerships, procurement support and Local Education Partnership procurements are written off to the profit and loss account as incurred

Interest in Joint Ventures and Joint Arrangements

PfS was established in March 2004, to support the delivery of the Building Schools for the Future (BSF) programme PfS is owned by the Secretary of State for Children , Schools and Families but is managed and controlled under a joint venture agreement between the Secretary of State and the Company

Under the terms of this joint venture agreement, the Company is responsible for funding 50% of PfS's expenditure and is entitled to receive 50% of the revenue arising from PfS procurement activities PfS is accounted for as a joint arrangement, and so there is no recognition of its assets and liabilities in the Group's accounts In line with the Group's accounting policy, no revenue is recognised from PfS's activities until there is reasonable certainty that individual projects will reach financial close and the right to consideration is obtained Revenue of £4,703,000 was recognised in the year to 31 March 2008 (2007 £2,626,000)

BSFI makes investments through loans and subordinated debt in LEPs established with PfS support Interest accrues on the achievement of project milestones, and is at risk to project performance The interest is recognised in the accounts only when it is received by BSFI

Fixed assets and depreciation

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

Leasehold improvements and furniture	10 years, or remaining period of lease
Office and computer equipment	3-4 years

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 relevant company Deferred taxation is provided in respect of portfolio revaluations if there is a binding agreement to dispose of any of the investments to which the revaluation relates

Pension costs

Pension costs payable to the Group's defined contribution scheme and to individual employees' personal pension schemes are charged to the profit and loss account as they become due

Debtors

Included in debtors is £2,611,700 (2007 £517,000) of revenue in respect of LEP procurements for which payment will not be received until the first school in each project is opened

Portfolio investments

Portfolio investments, being those held within an investment fund as part of a basket of investments, are revalued at the balance sheet date The investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("the Valuation Guidelines") issued and endorsed by the British Venture Capital Association (BVCA), the European Private Equity and Venture Capital Association and the Association Française des Investisseurs en Capital

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

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

Other fixed asset investments

The Company's investments in subsidiary undertakings and joint venture undertakings are valued in its own balance sheet at cost less any impairment provisions

2. Turnover

	2008 £000s	2008 £000s	2007 £000	2007 £000
DPA revenue		800		2,496
Interest on external costs		-		117
HM Treasury Framework revenues	2,017		2,437	
Advisory contracts	10,192		8,191	
International activities	258		161	
Total support income		12,467		10,789
Secondment income		1,020		1,065
Share of Partnerships for Schools revenue		4,703		2,626
		18,990		17,093
Share of procurement support revenue in joint ventures		67		354
		19,057		17,447

All turnover is derived from the United Kingdom, except for the amounts attributed to International activities in the above table

3. Profit on ordinary activities before taxation

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

	2008 £000	2007 £000
Expenditure under joint arrangement Partnerships for Schools Limited	6,346	5,314
Auditors' remuneration	60	54
Other services provided by PricewaterhouseCoopers		
Tax services	17	43
Remuneration services	32	-
Operating leases – land and buildings	908	795
Rental income from sub-tenants	(345)	(342)
Depreciation	258	250

4. Profit on sale of joint venture

In 2007, the year the Company sold its 50% shareholding in Partnerships for Health Limited (PfH), the share of net assets disposed of and related sale proceeds was as follows

	2007 £000
Share of net assets on disposal	10,076
Loan stock sold	3,063
	13,139
Disposal proceeds	25,770
Profit on disposal	12,631

5. Employees

	2008 £000	2007 £000
Wages and salaries	**8,225**	7,684
Social security costs	**981**	940
Pension costs	**545**	498
	9,751	9,122

Average number of employees

	2008	2007
Transactors	**53**	50
Administration and support	**18**	18
Total	**71**	68

In addition, the Group's share of the expenditure of PfS includes £4,237,477 (2007 £2,708,282) in respect of employee costs

The Company contributes to a Group defined contribution scheme and to individual employees' personal pension schemes As at 31 March 2008, the Group had liabilities in respect of money owed to scheme managers totalling £nil (2007 £2,620)

6. Directors' emoluments

Details of directors' emoluments for the year are set out in the Report on Remuneration and Related Matters on pages 18 to 20 and are summarised below

	2008 £000	2007 £000
Aggregate emoluments	**1,646**	1,669
Pension contributions – defined contributions	**81**	75
Total emoluments	**1,727**	1,744
Emoluments of Chairman	**50**	50
Emoluments of highest paid director	**482**	475
Pension contributions for the highest paid director – defined contributions	**23**	23

Retirement benefits are accruing to four Directors under defined contribution pension schemes (2007 four)

7. Interest

	2008 £000	2007 £000
Interest receivable and similar income		
Bank interest	**2,256**	1,309
Interest on loan stock issued by joint ventures	**-**	77
Share of joint venture interest receivable	**219**	690
	2,475	2,076

	2008 £000	2007 £000
Interest payable and similar charges		
Interest payable on 6% Convertible Unsecured Loan Stock 2021	**2,100**	2,100
Share of joint venture interest payable	**-**	130
	2,100	2,230

8. Tax on profit on ordinary activities

	2008 £000	2007 £000
Current tax		
Corporation tax charge for the year at 30% (2007 30%)	**149**	-
Over provision in prior year	**-**	(257)
Prior year tax loss claim	**-**	(3)
Share of joint venture tax charge	**-**	37
Net current tax (credit)/charge	**149**	(223)
Deferred tax charge	**-**	-
	149	(223)

The tax charge for the year is lower than the standard rate of Corporation Tax in the UK The differences are explained below

	2008 £000	2007 £000
(Loss) / Profit on ordinary activities before taxation	**(943)**	11,372
Tax on (Loss)/ Profit on ordinary activities before taxation at 30% (2007 30%)	**(282)**	3,411
Effects of		
Prior year portfolio revaluations now realised	**139**	-
Substantial shareholding tax exemption	**-**	(3,631)
Impairment provisions	**266**	82
Indexation allowance	**(28)**	(14)
Prior year tax loss claim	**-**	(3)
Disallowed items	**11**	30
Unrecognised deferred tax	**-**	83

8 Tax on profit on ordinary activities -continued

Capital allowances for the period below depreciation	**27**	11
Other timing differences	**22**	65
Over provision in prior year	**-**	(257)
Tax losses brought forward	**(2)**	-
Tax at lower 20% rate	**(1)**	-
Marginal relief	**(3)**	-
	149	(223)

9. Deferred tax asset

The Company and the Group have recognised the following amount of deferred tax at 31 March 2008

	2008	2007
	£000	£000
Accelerated capital allowances	**(27)**	(49)
Other timing differences	**27**	49
	-	-

Deferred tax asset at 1 April 2007	-
Deferred tax charge in profit and loss account for the year	-
Deferred tax asset at 31 March 2008	-

At the year end, based on a corporation tax rate of 30%, the Group also had an unrecognised deferred tax asset of £1,221,389 (2007 £835,000) This unrecognised deferred tax asset comprised tax losses of £571,793 (2007 £466,000), and timing differences of £649,596 (2007 £369,000)

10. Tangible fixed assets

	Group and Company		
	Leasehold Improvements and furniture	**Office and computer equipment**	**Total**
	£000	£000	**£000**
Cost			
As at 1 April 2007	1,331	714	**2,045**
Additions	-	152	**152**
Disposals	-	-	**-**
At 31 March 2008	1,331	866	**2,197**
Depreciation			
As at 1 April 2007	886	488	**1,374**
Disposals	-	-	**-**
Charge	134	124	**258**
At 31 March 2008	1,020	612	**1,632**
Net book value at 31 March 2008	**311**	**254**	**565**
Net book value at 1 April 2007	445	226	671

11. Investments in joint ventures and joint arrangements

Particulars of all joint venture undertakings

	Country of incorporation	Percentage of ordinary capital held
Building Schools for the Future Investments LLP ("BSFI")	England	50%

PfS was established in March 2004, to support the delivery of the Building Schools for the Future (BSF) programme PfS is owned by the Secretary of State for Children, Schools and Families but is managed and controlled under a joint arrangement agreement between the Secretary of State and the Company

Under the terms of this joint arrangement agreement, the Company is responsible for funding 50% of PfS's expenditure and is entitled to receive 50% of the revenue arising from PfS's procurement support activities PfS is accounted for as a joint arrangement, and so there is no recognition of its assets and liabilities in the Group's accounts In line with the Group's accounting policy, no revenue is recognised from PfS's activities until there is reasonable certainty that individual projects will reach financial close Revenue of £4,703,350 was recognised in the year to 31 March 2008 (2007 £2,626,000)

PfS's principal place of business is 10 Great George St, London SW1P 3AE

BSFI was established in July 2006 to invest in LEPs, set up to deliver BSF projects in areas prioritised by the Secretary of State for Children, Schools and Families and supported by PfS It is a joint venture between the Secretary of State and the Company

Company

	Loan Stock £000	**Total £000**
Cost		
As at 1 April 2007	3,120	**3,120**
Additions – BSFI	3,239	**3,239**
As at 31 March 2008	6,359	**6,359**

The amounts included in the consolidated accounts in respect of the Group's share of joint ventures are analysed in more detail below

	2008 Group Total £000	2007 PfH £000	2007 BSFI £000	2007 Group Total £000
Turnover	**67**	354	-	354
Operating costs	**(219)**	(788)	(1)	(789)
Operating (loss)	**(152)**	(434)	(1)	(435)
Interest receivable	**219**	690	-	690
Interest payable	**-**	(130)	-	(130)
Profit/(loss) before taxation	**67**	126	(1)	125
Taxation	**-**	(37)	-	(37)
Profit/(loss) after taxation	**67**	89	(1)	88

11. Investments in joint ventures and joint arrangements (continued)

	2008 Group Total £000	2007 PfH £000	2007 BSFI £000	2007 Group Total £000
Fixed Assets	8	-	13	13
Portfolio investments	6,365	-	-	-
Current assets	817	-	3,284	3,284
	7,190	-	3,297	3,297
Liabilities due within one year	(7,124)	-	(3,298)	(3,298)
Share of net assets (liabilities)/	66	-	(1)	(1)
Investment in BSFI's 6% Unsecured Loan Stock 2026	6,359	-	3,120	3,120
	6,425	-	3,119	3,119

Movements in the Group's investments in joint ventures are summarised below	**Share of net assets £000**	**Loan Stock £000**	**Total £000**
As at 1 April 2007	(1)	3,120	3,119
Additions	-	3,239	3,239
Share of profit after taxation	67	-	67
Net book value as at 31 March 2008	66	6,359	6,425

12. Portfolio investments

	Group £000	Company £000
Cost at 1 April 2007	6,123	-
Additions at cost	3,820	-
Disposals	(1,000)	-
Cost at 31 March 2008	8,943	-
Net revaluation at 1 April 2007	(386)	-
Revaluation during the year	20	-
Impairment in the year	(885)	-
Disposals	(464)	-
Net revaluation at 31 March 2008	(1,715)	-
Valuation at 31 March 2008	7,228	-
Valuation at 1 April 2007	5,737	-

12. Portfolio investments (continued)

These investments comprise

	Group	
	2008 £000	2007 £000
Equity	**6,541**	5,050
Debt	**687**	687
Valuation at 31 March	**7,228**	5,737

	2008 £000	2007 £000
Non listed companies	**7,228**	4,273
Listed companies	-	1,464
Valuation at 31 March	**7,228**	5,737

The net revaluation gain at 31 March 2008 comprises revaluation gains of £20,000 and impairment provisions of £885,000 (2007 £464,000 and £272,000 respectively)

Total additions during the year of £3,820,000 represent investments in CellTran Limited, Zoobiotic Limited, Pelamis Wavepower Limited, Silistix, ESynergy 21st Century Sustainable Technology Fund, Bridges Community Development Venture Fund II, The Acrobot Company Limited, Nexeon Limited and Nitech Solutions Limited

During the year the Group sold its holding in Imperial Innovations Group plc and wrote down the value of one investment

At 31 March 2008, the Group held the following portfolio investments

Investment	Financial Year of Initial Investment	Shareholding	Business description
CellTran Limited	2006	9 9%	A company spun out of Sheffield University which has developed new wound care products based on tissue regeneration
Cascade Technologies Limited	2006	12 4%	A company spun out of Strathclyde University which is developing products based on laser-based emission sensing
e-Tourism Limited	2003	22 0%	A company set up as a public private partnership with visit Scotland to develop the commercial potential of the existing public sector tourism internet site, *www visitscotland com*

12. Portfolio investments (continued)

E Synergy 21st Century Sustainable Technology Fund	2007	Not Applicable	A £30m enterprise capital fund set up to focus investment in UK companies which are developing new, clean and efficient industrial processes
Pelamis Wavepower Limited	2006	2 6%	A company established to develop wave conversion technology based on the pelamis device
Silistix	2007	18 3%	A company spun out from Manchester University which has developed a suite of tools for the design and synthesis of customised on - chip interconnects using self timed circuits
Zoobiotic Limited	2006	14 4%	A company spun out of Bro Morgannwg NHS Trust which has developed and markets wound care products based on the application of sterile maggots
Nitech Solutions Limited	2007	15 9%	A company established to develop mixing technology for speciality chemicals, oils, pharmaceuticals and biofuels
The Acrobot Company Limited	2007	11 3%	A company established to develop precision tools for robotic orthopaedic surgery
Nexeon Limited	2007	10 11%	A company established to develop Lithium ion battery technology
Bridges Community Development Venture Fund II	2008	Not applicable	A fund which invests in private businesses with strong growth potential that are located in and have direct and beneficial impact on qualifying local authorities or if outside bring strong local benefits

13. Investment in subsidiary undertakings

Particulars of all subsidiary undertakings

	Country of incorporation	Percentage of ordinary capital held
Treasury Taskforce	England	100%
Partnerships UK Finance Limited	England	100%
PUK Investments Limited	England	100%

Treasury Taskforce is a Company limited by guarantee of the members, such guarantee not to exceed £1 This Company no longer trades

Partnerships UK Finance Limited was established on 4 December 2000 and is dormant

PUK Investments Limited (PUKI) was established on 9 March 2005 PUKI is the holding company for the Group's portfolio investments The Company holds 100% of the share capital of its subsidiary at cost of £1 (2007 £1)

14. Debtors

	Group 2008 £000	Group 2007 £000	**Company 2008 £000**	Company 2007 £000
Trade debtors	**4,128**	2,406	**4,145**	2,406
Amounts owed by subsidiary undertakings	-	-	**9,257**	7,001
Amounts due from joint ventures/arrangement	**3,331**	1,312	**3,584**	1,312
Other debtors	**7**	62	**7**	62
Corporation tax recoverable	-	364	-	107
Prepayments	**294**	690	**295**	663
Accrued income	**1,246**	2,548	**1,229**	2,548
	9,006	7,382	**18,517**	14,099

Amounts due from joint ventures includes £649,150 (2007 £517,000) which is recoverable after more than one year Amounts owed to the Company by subsidiary undertakings include £9,257,160 (2007 £7,001,000) which is repayable on demand and carries an interest rate of 6%

A letter of guarantee has been given stating that Partnerships UK plc confirms repayment of the balance of £9,257,160 included as a liability in the financial statements of PUK Investments Limited ("the company") will not be required until such time as the company has sufficient funds for this purpose

15. Creditors – amounts falling due within one year

	Group 2008 £000	Group 2007 £000	**Company 2008 £000**	Company **2007 £000**
Trade creditors	**363**	392	**363**	392
Amounts due to subsidiary undertakings	-	-	**19**	19
Amounts payable under joint arrangement and joint venture	**1,202**	1,953	**1,202**	1,953
Corporation tax	**148**	-	**145**	-
Other taxation and social security	**307**	284	**307**	284
Other creditors	**200**	121	**200**	121
Accruals	**2,799**	2,375	**2,799**	2,375
	5,019	5,125	**5,035**	5,144

16. Creditors – amounts falling due after more than one year

	Group and Company 2008 £000	Group and Company 2007 £000
Accruals	**1,074**	1,075
Debts maturing in more than five years		
6% Convertible Unsecured Loan Stock 2021	**35,000**	35,000
	36,074	36,075

35,000,000 £1 units of 6% Convertible Unsecured Loan Stock 2021 (CULS) were allotted and issued as fully paid on 29 March 2001 The first payment of interest was due on 30 September 2001 and on 31 March and 30 September each year thereafter

The holders of CULS rank behind all other creditors of Partnerships UK plc in the event of the Company being liquidated

CULS are capable of conversion at any time into A Ordinary shares on notice being given by the stockholder Conversion is at the rate of one A Ordinary share for each £1 of principal amount of CULS No public sector investor is entitled to convert CULS into A Ordinary shares to the extent that such conversion would result in the number of Ordinary shares held by public sector investors exceeding 49% of the Ordinary shares then in issue

On or after 29 March 2011, the Company is entitled by giving 20 days notice to redeem any or all of the outstanding CULS at par Prior to the notice period expiring, any stockholder may convert CULS into Ordinary shares

17. Called up share capital

Authorised	2008 Number of shares 000s	2007 Number of shares 000s
A Ordinary shares of £1 each	**45,100**	45,100
B Ordinary shares of £1 each	**4,900**	4,900
	50,000	50,000

Allotted, issued and fully paid	2008 000	2007 000
5,100,000 A Ordinary shares of £1 each	**5,100**	5,100
4,900,000 B Ordinary shares of £1 each	**4,900**	4,900
	10,000	10,000

Save as described below, the A and B Ordinary shares rank pari passu in all respects

(a) B Ordinary shares may only be held by a shareholder authorised to act on behalf of the Crown and carry the right to appoint two directors and an Advisory Council

(b) In any resolution proposed at general meeting to change the main business from the Company's public sector mission as set out in the Memorandum of Association, to vary the rights of any shares, to purchase or cancel the B Ordinary shares or to pass management control to parties other than the Board, then the B Ordinary shares will exercise 95% of the votes

The Directors are authorised to issue Ordinary shares and CULS, in the ratio of £1 Ordinary share with £2 50 CULS, provided the number allotted does not exceed the lesser of 5% of the aggregate of Ordinary shares and CULS in issue twelve calendar months prior, or 7 5% of the aggregate of Ordinary shares and CULS in issue thirty six calendar months prior

Pre-emption rights in relation to any future new issue of securities will be calculated by reference to the combined value of Ordinary shares and CULS held

18. Profit and loss account

	Group 2008 £000	Company 2008 £000
Surplus brought forward at 1 April 2007	**12,761**	12,606
Dividend paid	**(4,500)**	(4,500)
Transferred from revaluation reserve	**464**	-
(Loss) / profit for the year	**(1,092)**	334
Profit carried forward at 31 March 2008	**7,633**	8,440

The Company has taken advantage of the exemption conferred by section 230(1) of the Companies Act 1985 and has not presented its own profit and loss account The Company's profit for the year amounted to £334,000 (2007 profit £13,078,000)

19. Revaluation reserve

	Group 2008 £000	Company 2008 £000
Reserve brought forward at 1 April 2007	**464**	-
Transferred to profit and loss account reserve	**(464)**	-
Revaluation surplus in the year	**20**	-
Reserve carried forward at 31 March 2008	**20**	-

No taxation has been provided in respect of revaluations as the Group has no binding agreement to dispose of any of the investments to which the revaluation relates The expected tax which could be payable if portfolio investments were sold at their revalued amounts is £6,000 (2007 £120,000)

20. Movements in shareholders' funds

	Group 2008 £000	Company 2008 £000
Shareholders' funds as at 1 April 2007	**23,225**	22,606
(Loss) / profit for the year	**(1,092)**	334
Dividend paid	**(4,500)**	(4,500)
Revaluation surplus on portfolio investments	**20**	-
Shareholders' funds as at 31 March 2008	**17,653**	18,440

Shareholders' funds are all attributable to equity interests

21. Contingencies and commitments

The Company has committed to meet 50% of the funding requirements of PfS The commitment is expected to result in the gross payment of up to £7,269,000 offset by receipts of £7,378,000 resulting in a net receipt of £109,000 in the next financial year for the Company's share of PfS's net expenditure

The Company has agreed a business plan with BSFI which commits the Company to invest up to a total of £20,000,000, of which £6,359,000 has been utilised at 31 March 2008

As at 31 March 2008, the Group had entered into commitments to provide additional funding to the companies in which it holds portfolio investments of up to £1,948,000 (2007 £950,000)

The Company has committed to invest £1,500,000 in UMIP Premier Fund

At 31 March 2008, the lease payments and associated occupancy costs due during the ensuing year under operating leases for office accommodation to which the Group and Company were committed were as follows

	Group / Company 2008 £000	Group / Company 2007 £000
Leases due to expire		
In two to five years	**809**	790

22. Reconciliation of operating profit to operating cash flow

	2008 £000	2007 £000
Operating (loss)	**(487)**	(368)
Depreciation	**258**	250
Decrease in work in progress	**632**	12,291
(Increase) / decrease in debtors	**(1,728)**	10,549
Increase in creditors	**663**	2,185
Cash (outflow) / inflow from operating activities	**(662)**	24,907

23. Analysis of net funds

	At 31 March 2007 £000	Cash flow £000	**At 31 March 2008 £000**
Cash in hand and at bank	46,882	(11,360)	**35,522**
Debt due after one year	(35,000)	-	**(35,000)**
	11,882	(11,360)	**522**

24. Ultimate controlling entity and related party transactions

At the year end, the Company was not controlled by any single party and had no ultimate controlling entity Details of the shareholders are set out in the Directors' Report

At 31 March 2008, Her Majesty's Treasury and Scottish Ministers were holders of 6% Convertible Unsecured Loan Stock 2021 Their holdings were £15,594,446 (2007 £15,594,446) and £1,555,554 (2007 £1,555,554) respectively

The Company occupies property under a lease held in the name of the First Secretary of State from Enterprise Oil Limited and paid rent and other costs associated with this lease amounting to £1,097,679 (2007 £980,884) in the year

The Group provided services to Government Departments and recovered occupancy costs from Government Departments of £14,204,410 (2007 £11,718,000) and £345,988 (2007 £342,000) respectively for the year At 31 March 2008, the Group was owed £3,796,264 (2007 £2,416,376) and £98,623 (2007 £nil) respectively in respect of these services The Group owed £111,453 (2007 £nil) at 31 March 2008 in respect of occupancy costs

The Company supplied services to PfS amounting to £178,238 (2007 £132,884) during the year At 31 March 2008, the amounts payable to PfS by the Group were £1,202,285 (2007 £952,000) and the Group was owed £3,331,400 (2007 £1,297,100)

25. Analysis of profit on ordinary activities

The amounts included in the consolidated accounts in respect of the Company and the Group's share of joint ventures are analysed in more detail below

	PUK	**PUKI**	**PfS**	**BSFI**	**2008 Group Total £000**
Operating profit/(loss)	**1,285**	**23**	**(1,643)**	**(152)**	**(487)**
Profit on sale of portfolio investments	**-**	**54**	**-**	**-**	**54**
Impairment of portfolio investments	**-**	**(885)**	**-**	**-**	**(885)**
Interest receivable	**2,219**	**37**	**-**	**219**	**2,475**
Interest payable	**(2,100)**	**-**	**-**	**-**	**(2,100)**
Profit/(loss) on ordinary activities before taxation	**1,404**	**(771)**	**(1,643)**	**67**	**(943)**

	PUK	PUKI	PfH	PfS	BSFI	2007 Group Total £000
Operating profit/(loss)	2,315	6	-	-	(1)	2,320
Joint venture operating (loss)	-	-	(435)	(2,688)	-	(3,123)
Profit on sale of joint ventures			12,631	-	-	12,631
Profit on sale of portfolio investments	-	(30)	-	-	-	(30)
Impairment of portfolio investments	-	(272)	-	-	-	(272)
Interest receivable	1,384	2	690	-	-	2,076
Interest payable	(2,100)	-	(130)	-	-	(2,230)
Profit/(loss) on ordinary activities before taxation	1,599	(294)	12,756	(2,688)	(1)	11,372

Members of the Advisory Council
as at 31 March 2008

Government Departments

Nicholas Macpherson [1]	HM Treasury
Andrew Burchell	Department for Environment, Food and Rural Affairs
John Collington	Home Office
Richard Douglas	Department of Health
Peter Houten	Department for Children, Schools & Families
Gavin McGillivray	Department for International Development
Kate Mingay	Department for Transport
Amyas Morse	Ministry of Defence
Hunada Nouss	Department for Communities and Local Government

Devolved Administrations

Martin Sykes	Value Wales
Sandy Rosie	Scottish Government
David Gavaghan	Northern Ireland Strategic Investment Board

Public Sector Stakeholders

Steve Allen	Transport for London
Paul Coen	Local Government Association
Ken Gillespie	Kirklees Metropolitan Council
Ed Humpherson	National Audit Office
Barry Quirk	London Borough of Lewisham
Tony Sims	UK Trade and Investment
Nigel Smith	Office of Government Commerce
Dr Doug Yarrow	Biotechnology and Biological Sciences Research Council

[1] Chairman of the Advisory Council