2009 Annual Report

PartnershipsUK

The fiscal year just ended has seen some of the most difficult financial markets in living memory, presenting its clients and PUK with an especially challenging environment within which to deliver and to develop private sector linked solutions to major public sector procurement needs. Yet I am happy to report that, in line with its strategy, PUK has continued to make sound progress and to develop its services in response to the evolving needs of its public sector clients.

The difficulties in raising funding in the market have meant that many large scale infrastructure projects have been delayed.

Yet a notable exception has been the Building Schools for the Future Programme, where, despite the conditions in the debt market, deals have been closed to enable a programme with gradually accelerating delivery requirements to be met. PUK has been influential in the delivery of this critical programme through our joint venture to fund Partnerships for Schools (PfS) with the Department of Children Schools and Families (DCSF). By agreement between the parties this joint arrangement with DCSF and PfS has now reached a stage of maturity where PUK's role will change. We will no longer fund 50% of PfS however, through a more traditional contractual arrangement, we will continue to support the delivery of a programme which is transforming the lives of many of our schoolchildren.

Furthermore, reflecting some recent easing in the debt markets, it was pleasing to note that, with PUK support, the Manchester Waste and M25 projects also recently closed.

In recent years PUK has expanded its support into local delivery organisations in areas such as health. We plan to expand our presence in this area through a joint venture we are seeking to create with the Local Government Association which will build on the existing services offered by PUK and by 4ps. The joint venture will focus on providing value adding support across a range of regional organisations such as Local Authorities and Primary Care Trusts.

Many projects remain in the pipeline and we in PUK look forward to working with central government departments, local organisations and private sector companies to deliver the critical upgrades to infrastructure and services needed by our economy and its citizens. In recessionary times such projects, where they can be financed, have added attractions in ensuring resources are not left unnecessarily idle.

As a result of the restructuring of the PfS JV, and the release of substantial cash balances which it had absorbed, we have looked again at the funding needs of the company and concluded that the business is over-capitalised for its prospective needs. Accordingly, we are developing proposals for the return of excess funds to our investors which will be put before them shortly.

The Advisory Council continues to be of significant help in guiding our strategic thinking 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.

Sir Steve Robson stepped down from the Board of PUK on 31 May 2008. Steve was instrumental in establishing PUK and saw it through its first eight years of life. On behalf of the Board, I should like to thank him for all his work and support.

Finally, I must thank James Stewart and all the staff of PUK for their hard work and 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.

Gordon Horsfield
Chairman
22 June 2009

Business Highlights

Two years ago, we recognised the need to create greater diversification in the activities of PUK in order to increase our contribution to the public sector and to respond to the significant changes affecting many of our stakeholders.

The challenges facing our many stakeholders are greater now than they have ever been. The difficult funding market has seen some delays to infrastructure projects, whilst the economic conditions place ever greater pressure on the public sector to ensure it is delivering services ever more effectively and efficiently.

We continue to face change and volatility in the demand for our services, which requires us to be flexible and responsive in our support to our clients. However, with change comes opportunity and it is pleasing to report we have had many successes in the last twelve months.

Highlights of the last year include:

- The financial close of the Manchester Waste Project;
- A substantial new engagement with DWP on the Enabling Retirement Savings Programme;
- Through Partnerships for Schools, supporting the opening of 45 new schools and achieving financial close on 8 new Local Education Partnerships;
- The development of a new proposition to form a Joint Venture with the LGA for greater support to local authorities and other local delivery organisations;
- Assisting the Treasury in the establishment of The Infrastructure Finance Unit; and
- Improved client satisfaction as seen through our annual survey.

In 2004, Partnerships for Schools (PfS) was set up to deliver Building Schools for the Future (BSF), the capital investment programme that is helping to transform every single secondary school in England. PfS has been managed under a joint venture between DCSF and PUK, with PUK responsible for funding 50% of the costs.

Over the last five years, PfS has established itself as an effective and successful delivery vehicle for the BSF programme, as demonstrated by the recent positive report by the National Audit Office. PUK's role in helping to establish PfS and helping the BSF programme reach a mature and sustainable state is largely complete and therefore it is the appropriate time to review the nature of our involvement. It has been agreed to bring the joint venture to an end and move to a different support arrangement. PUK will attend the PfS Board and continue to support PfS and DCSF across a range of activities and issues in a similar manner to the current arrangement but on a more traditional contractual basis.

Business Highlights (continued)

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 and free at the point of use;
- Providing funding to encourage research into ways to improve the delivery of public services. This year we have provided funding to the 2020 Public Services Research Programme and to the Centre for Public Services Partnerships; and
- Providing a £100k donation to the Transformation Trust to support and enhance the delivery of Building Schools for the Future objectives through funding schemes which help young people and learners make the most of educational and training opportunities.

Long Term Objectives

PUK's overriding objective is to support public sector entities across the UK, both centrally 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 five years the procurement spectrum has become much more complex with many alternative models of procurement emerging. PUK also now helps develop commissioner/provider markets for public services that do not necessarily involve major capital expenditure. PUK has been at the forefront of these changing markets, often being the actual catalyst for change.

What unites PUK's various activities 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 capital to achieve the commercialisation of public sector assets (portfolio investments) or supporting improved public assets (Building Schools for the Future Investments).

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

At the core of PUK is our public sector mission to which our staff, Board and Advisory Council remain totally committed.

Long Term Objectives (continued)

In summary, our long term aims are to:

Support and accelerate the delivery of infrastructure renewal, high quality public services and efficient use of public sector assets through better and stronger partnerships between the public and private sector.

In pursuit of our aims we will:

- **Preserve the unique role of PUK and maintain PUK's public sector mission and role of only working for the public sector;**
- **Fulfil PUK's unique mission of working across the UK and for all parts of the public sector;**
- **Focus on the top end of the value chain;**
- **Maintain our focus on quality and excellence;**
- **Lead the market in ideas and innovation in our chosen sectors.**

In particular we will:

- **Build PUK's capacity and reputation as the centre of expertise supporting all centrally procured major projects and programmes including information technology and business change projects;**
- **Through the proposed 4Ps JV, develop a capability to support all forms of public bodies located in the community on the delivery of improved public infrastructure and services; and**
- **Through PUK Investments, use our capital to support the creation of public investment programmes and the commercialisation of public sector assets, whilst achieving a target rate of return for shareholders.**

Overall we will build a business which has flexibility, sustainability and robustness to withstand and respond to the challenges coming from the economic downturn and forthcoming general election.

Business Performance

The financial results for the year were positive, with the core transacting business performing on budget. The Group as a whole was ahead of expectations, primarily as a result of the agreement with DCSF to close the Partnerships for Schools joint venture.

The Group's turnover, including share of joint ventures, increased to £23.1m (2008: £19.1m), with strong growth being seen in our advisory contracts and an uplift in Partnerships for Schools (PfS) revenues.

Business Performance (continued)

After taking into account the profit on termination of joint arrangement and payment of interest on the 6% Convertible Unsecured Loan Stock (CULS), the business has reported a profit before tax of £17.8m (2008: loss £0.9m).

As in previous years, Partnerships for Schools has a material impact on the results. The impact is greater this year because of the termination of the joint arrangement on 31 March 2009. Under the terms of the JV agreement PUK received £22.4m. In previous years, all monies provided by PUK to PfS to meet its 50% share of running costs have been charged to the profit and loss account, resulting in significant losses being declared by PUK. As a result, all of the proceeds appear as profit in the current year. It is important to recognise that the monies received primarily represent a return of amounts contributed; i.e. £16.7m relates to return of amounts contributed (that is money provided to PfS to meet its annual operating costs in previous years) whilst £5.7m represents accumulated interest and profit on that money contributed.

The other features of the financial performance were as follows:

- The support business turnover was £15.0m, 20% up on last year;
- Costs were within budget at £15.2m;
- Overall turnover included £7.5m of revenue from PfS;
- The profit before tax includes a write down on the value of the portfolio investments of £3.1m; and
- Revaluations of portfolio investments and JV interests show an increase of £1.6m.

The Board does not recommend the payment of a dividend for this year. However, in light of the amount of cash presently sitting on the balance sheet, and the resulting over capitalisation of the business, the Board will be reviewing the structure of the balance sheet to ensure continued efficient use of cash and capital. This will include presenting options to shareholders which reduce the overall capitalisation of the business.

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; and
- **Investments** – Investing risk capital via PUK Ventures and investing in Local Education Partnerships (LEPs) via Building Schools for the Future Investments LLP.

Overview of Business (continued)

Direct Support

Direct Support delivered revenues of £11.4m (2008: £12.3m), a 7% decline on prior year. Highlights during the year included:

- Advising DfT and TfL on the creation of Crossrail;
- Advising DfT on the M25 which reached close in May 2009;
- Assisting first DCLG and then the newly created HCA with their housing programmes;
- A new and substantial engagement with DWP on Personal Accounts; and
- Supporting the establishment of EPEC, the European PPP knowledge centre.

Programmes

Programmes, comprising BSF, Waste and Public Services, delivered revenues of £11.7m (2008: £6.7m), an increase of 75% on the prior year.

Notable successes included:

- Continued support on the waste programme with a two year agreement signed late 2008 and the financial close of the large scale Manchester waste project in May 2009.
- Increased support to the Welsh Government on delivering their waste programme;
- Achieving new engagements with 16 clients for our provider programme within Public Services;
- The proposal to create a JV with the LGA; and
- In conjunction with Futurebuilders, being successful in securing the Social Enterprise Investment Fund mandate.

Investments

Portfolio Investments made 2 new investments in the year: Morgan Everett, a company developing in situ incineration of waste, and UMIP Premier Fund. We also completed 8 follow-on investments. The total value of new investments was £3.4m (2008: £3.8m). During the year we disposed of our share of eTourism with proceeds being £0.2m (2008: £1.5m).

Many of our investments are in early stage spin out companies and are therefore likely to be affected by the difficult economic conditions we have seen developing during the year. In reviewing the carrying value of our investments, we have write ups in investments of £0.6m (2008: £nil) and an impairment of £3.1m (2008: £0.9m) across the whole of our portfolio.

As at 31 March 2009, our carrying value on portfolio investments was £7.6m (2008: £7.3m).

The other major investment activity is our involvement in Building Schools for the Future Investments LLP (BSFI). During the year BSFI invested £1.7m (2008: £4.3m) which, when allowing for a year end revaluation, takes our overall investment to £9.2m as at 31 March 2009 (2008: £6.4m).

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:

- **Support the delivery of projects during the pre-procurement, procurement and operational phases**. Significant contributions made to a wide range of important UK infrastructure and public services contracts including M25 widening, Crossrail, and Personal Accounts. Fourteen new mandates secured and further guidance documents written for both UK and international markets. Continued provision of Operational Taskforce Helpdesk for assistance and guidance on PFI/PPP contracts in the operational phase.
- **Support the delivery of existing programmes and source new programme opportunities**. Continued support to the Waste Programme and expansion of our Public Services Unit. Having terminated our joint arrangement with DCSF regarding PfS and the Building Schools for the Future Programme, our current support to this programme will be based on a more traditional fee based arrangement.
- **Use our capital effectively and earn our target rate of return for our shareholders**. During the year our rate of investment in BSFI and portfolio investments was lower than anticipated. We took a net write down on portfolio investments of £2.5m, whilst our BSFI portfolio was written up by £1m.
- **Provide leadership in creating new markets and models to respond to Government policy imperatives**. Engagements have been broadened into new areas, guidance prepared for joint ventures, and a proposed joint venture to offer an enhanced service to local public sector bodies.
- **Improve the quality and breadth of our public sector relationships and our understanding of their requirements and our ability to support them**. Positive feedback and year on year improvements gained in our customer survey.
- **Develop and adapt the skills of our staff to face the challenges of a broadening scope of business**. Staff training and seminars held, coupled with an improvement from 70% to 76% in our Staff Survey in the number of staff who agree we invest properly in staff training.
- **Achieving the annual budget**. Operating profit exceeded budget. We recorded an unbudgeted profit on the termination of the joint arrangement with PfS of £20.6m. Profit was adversely impacted by a £3.1m write down on investments. This was offset by an uplift to BSFI and investments resulting in a £1.6m increase in the revaluation reserve.

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

Outlook for the Future

Whilst the economic environment is challenging, our business plan and objectives provide a focus which positions us well for the year ahead.

Critical to our success is the value our clients feel we add to their activities. With this in mind, it is pleasing to see significant year on year improvement in customer satisfaction, as seen by the results of our annual customer survey. The number of net promoters, that is those who score 8 or 9 out of 10, versus those who score 6 or less in their willingness to recommend PUK to other clients, has increased from 15% to 49%. Whilst we are never complacent, the value we provide to clients is at the heart of what we do.

Innovation in the effectiveness and efficiency of public service delivery is a key theme for the future. There is likely to be increased emphasis on alternative procurement methods within the public sector and, in response to this, we will put greater resources into providing leadership in developing new models, whilst always ensuring that value for money is maintained for the tax payer.

PUK needs to adapt and evolve its structure as the market changes. The development of the proposed joint venture with the LGA will allow us to invest more in supporting community based services.

PUK itself will focus on supporting central government and the large and complex projects and programmes.

Employees

Challenging times often bring out the best in people. I am proud of the way the PUK staff have responded over the last year and would like to thank them for all their hard work and support.

James Stewart

James Stewart
Chief Executive
22 June 2009

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 2009.

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 profit for the year before taxation amounted to £17,764,000 (2008: loss £943,000) and the profit after tax amounted to £12,398,000 (2008: loss £1,092,000), as shown on page 23. The Directors do not propose the payment of a dividend for the year (2008: £4,500,000).

Directors and Directors' interests

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

Gordon Horsfield, Chairman [*134]
James Stewart, Chief Executive [1]
Michael Gerrard, Deputy Chief Executive
Craig Anderson [1] Appointed 22 May 2008
Claudia Arney [*34]
David Clements [*234]
Gren Folwell [*234]
Andrew Friend [*134]
Stephen Lovegrove [*034] Appointed 30 April 2008
Christina McComb [1]
Sir Steve Robson CB [*134] Resigned 31 May 2008
Andrew Rose
Peter Schofield [*0234]

* Non-Executive 0 HM Treasury nominees [1] Investment Committee [2] Audit Committee [3] Remuneration Committee [4] Nominations 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 also Chairman of the Norwich & Peterborough Building Society, a non-executive director of Turner & Townsend plc, Chairman of Shuropody Limited, Chairman of the Strategy Committee of the Ampleforth Abbey Trust, a non-executive director of York Museums Trust, a partner in Yearsleydale LLP, and a Trustee of the Holbeck Charitable Trust. During the year he retired as Chairman of Drax Group plc and as Chair of Council of the University of York.

for the year ended 31 March 2009

Shareholders

At 31 March 2009, 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 (No 3) 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 2009. 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.

Financial risk management (continued)

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.

Directors' Report

for the year ended 31 March 2009

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 22 days' purchases (2008: 24 days).

Charitable donations

The Company has made charitable donations of £111,473 (2008: £7,913).

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
22 June 2009

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 2008/9 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 Peter Schofield and Stephen Lovegrove.

Directors seeking re-election at the 2009 AGM are Gordon Horsfield, Andrew Rose and David Clements.

for the year ended 31 March 2009

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 2009 are set out on page 44. The Advisory Council is chaired by Sir Nick 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.

During 2008/9 the Company's Board comprised seven Non-Executive Directors (including the Chairman) and five 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, Peter Schofield and Stephen Lovegrove, were nominated by HM Treasury. The other Non-Executive Directors are considered by the Board to be independent.

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 2008/9, it met formally nine 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 £1 million 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
- the Nominations Committee, comprising all of the Non-Executive Directors and chaired by Gordon Horsfield, was set up to lead the process for board appointments and make recommendations to the Board. 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 2009, the Audit Committee held three meetings, and the Investment Committee eleven meetings. The Remuneration Committee held two meetings and the Nominations Committee held three meetings. The following table details the number of Board and Committee meetings held during the year ended 31 March 2009 (as relevant for those appointed during the year) and the attendance record of each Director:

Statement of Corporate Governance

for the year ended 31 March 2009

	Board	Investment Committee	Audit Committee	Nomination Committee	Remuneration Committee
Gordon Horsfield	9/9	9/11	n/a	3/3	2/2
Craig Anderson	9/9	10/10	n/a	n/a	n/a
Claudia Arney	9/9	n/a	n/a	3/3	2/2
David Clements	9/9	n/a	3/3	3/3	2/2
Gren Folwell	8/9	n/a	3/3	3/3	2/2
Andy Friend	9/9	11/11	n/a	3/3	2/2
Michael Gerrard	9/9	1/3	n/a	n/a	n/a
Stephen Lovegrove	9/9	n/a	n/a	3/3	1/1
Christina McComb	8/9	11/11	n/a	n/a	n/a
Sir Steve Robson	0/1	2/2	n/a	0/1	1/1
Andrew Rose	9/9	n/a	n/a	n/a	n/a
Peter Schofield	9/9	n/a	3/3	3/3	2/2
James Stewart	9/9	10/11	n/a	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. An 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 same process is currently being carried out for 2008/9 and will be reported in June 2009.

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 2009, 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 2009 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.

The company reviews the quality of its investments and relationships with key clients in an annual customer satisfaction survey.

Grant Thornton have been retained as the Company's internal auditors. Grant Thornton agrees its programme of work with the Audit Committee and reports to the Audit Committee on its findings. No work was carried out in 2008/9 but the next programme of work is scheduled for later this year.

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 2009/10 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 (resigned May 31 2008), Claudia Arney, David Clements, Andy Friend, Peter Schofield and Stephen Lovegrove. As nominees of HM Treasury, Peter Schofield and Stephen Lovegrove are not considered by the Board to be independent. The Committee was chaired by Gordon Horsfield.

The Committee is responsible, at its sole discretion, 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 as such it seeks to offer remuneration packages consistent with the market in which we operate. The company regularly benchmarks its remuneration policy against the market in which it operates. The next review will be done during June/July 2009.

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 2008/9, the awards were determined by the Group's performance against the following criteria:

- Building New Businesses
- Securing and expanding the Direct Support business
- Putting in place a long term strategy for PUK and improving the reputation and standing of PUK
- Growing the value of the joint venture and joint arrangement
- Growing the value of the investment portfolio
- Achieving financial targets

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.

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 of the Executive Directors in 2008/9 were as follows:

Table A: Executive Directors' emoluments

	Service Contract date	Salary £000	Bonus £000	Deferred Incentive Scheme £000	Benefits in kind £000	**Total 2008/9 £000**	Total 2007/8 £000	**Pension Contributions 2008/9 £000**	Pension Contributions 2007/8 £000
JAGH Stewart	5 Mar 2001	240	150	40	1	**431**	492	**24**	23
D Goldstone	2 Jan 2002	n/a	n/a	n/a	n/a	**n/a**	260	**n/a**	7
MB Gerrard	24 Aug 2002	194	110	30	7	**341**	360	**21**	20
AM Rose	15 Feb 2005	170	104	28	1	**303**	339	**17**	16
CM McComb+	8 Mar 2006	163	40	-	1	**204**	212	**16**	15
C Anderson	1 May 2008	149	110	28	1	**288**	n/a	**11**	n/a
Total		916	514	126	11	**1,567**	1,663	**89**	81

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

In prior years the Company has shown amounts received by the Executive Directors during the year. For 2008/9, annual bonuses received totalled £562,000 (2007/8: £585,000). On this basis, total emoluments received totalled £1,641,000 (2007/8: £1,646,000).

JAGH Stewart and MB Gerrard were appointed as directors on 9 June 2000, AM Rose on 16 February 2005, CM McComb on 18 July 2007 and C Anderson on 22 May 2008.

+ CM McComb participates in the deferred incentive scheme for the equity portfolio investments business.

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 2008/9 £000	Fees 2007/8 £000
C Arney	**23**	-
DR Clements	**23**	20
GJ Folwell	**28**	25
A Friend	**31**	23
Sir Derek Higgs	**-**	10
G Horsfield	**55**	50
N Lethbridge	**-**	11
S Lovegrove	**-**	-
Sir Steve Robson	**5**	27
PHG Schofield	**-**	-
Total	**165**	166

The fees of the Non Executive Directors were reviewed during the year and an uplift awarded. This was the first increase since 2005/6.

Table C: Deferred Incentive Scheme

	Date of award	Payable in year ending 31 March £000	At 1 April 2008 £000	Awards £000	Amounts paid £000	At 31 March 2009 £000
JAGH Stewart	31.3.05	2008	55	-	55	-
	31.3.06	2009	60	-	-	60
	31.3.07	2010	73	-	-	73
	31.3.08	2011	73	-	-	73
	31.3.09	2012	-	40	-	40
			261	40	55	246
MB Gerrard	31.3.05	2008	40	-	40	-
	31.3.06	2009	45	-	-	45
	31.3.07	2010	55	-	-	55
	31.3.08	2011	55	-	-	55
	31.3.09	2012	-	30	-	30
			195	30	40	185
AM Rose	31.3.06	2009	45	-	-	45
	31.3.07	2010	55	-	-	55
	31.3.08	2011	55	-	-	55
	31.3.09	2012	-	28	-	28
			155	28	-	183
C Anderson	31.3.09	2012	-	28	-	28
			-	28	-	28

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
22 June 2009

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 2009 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 2009 and of the Group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 June 2009

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 2009

	Note	**Year ended 31 March 2009 £000**	Year ended 31 March 2008 £000
Turnover: Group and share of joint ventures	2		
Continuing		**15,609**	14,354
Discontinued		**7,475**	4,703
		23,084	19,057
Less: share of joint ventures' turnover			
Continuing	11	**(31)**	(67)
Group turnover	2	**23,053**	18,990
Administration expenses		**(22,290)**	(19,670)
Other operating income		**374**	345
Operating profit/(loss)			
Continuing		**997**	1,308
Discontinued		**140**	(1,643)
Operating profit/(loss)		**1,137**	(335)
Share of net operating (loss) in joint ventures - Continuing	11	**(391)**	(152)
Operating profit/(loss): Group and share of joint ventures			
Continuing		**606**	1,156
Discontinued		**140**	(1,643)
Total operating profit/(loss) : Group and share of joint ventures		**746**	(487)
Profit on termination of Joint Arrangement Discontinued	4	**20,609**	-
(Loss)/profit on sales of portfolio investments	12	**(362)**	54
Profit/(loss) on ordinary activities before interest and impairment of investments		**20,993**	(433)
Interest receivable and similar income	7	**2,037**	2,475
Amounts written off investments	12	**(3,140)**	(885)
Interest payable and similar charges	7	**(2,126)**	(2,100)
Profit/(loss) on ordinary activities before taxation	3	**17,764**	(943)
Profit before interest on the 6% Convertible Unsecured Loan Stock and taxation		**19,864**	1,157
Interest payable on 6% Convertible Unsecured Loan Stock	7	**(2,100)**	(2,100)
Profit/(loss) on ordinary activities before taxation	3	**17,764**	(943)
Tax (charge) on profit on ordinary activities	8	**(5,366)**	(149)
Profit/(loss) on ordinary activities after taxation		**12,398**	(1,092)
Profit/(loss) for the financial year	18	**12,398**	(1,092)

The Group's profit/(loss) before taxation and profit/(loss) for the financial year, on a historical cost basis, are set out on page 27.

The notes on pages 28 to 43 form an integral part of these financial statements.

Group Balance Sheet

as at 31 March 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Tangible assets	10		**423**		565
Investments					
Investments in joint ventures:	11				
Share of gross assets		**9,936**		7,190	
Share of gross liabilities		**(8,574)**		(7,124)	
		1,362		66	
Unsecured Loan Stock issued by joint ventures		**7,801**		6,359	
		9,163		6,425	
Portfolio investments	12	**7,544**		7,228	
			16,707		13,653
			17,130		14,218
Current assets					
Debtors	14	**30,658**		9,006	
Cash in hand and at bank		**29,730**		35,522	
		60,388		44,528	
Creditors: amounts falling due within one year	15	**(9,742)**		(5,019)	
Net current assets			**50,646**		39,509
Total assets less current liabilities			**67,776**		53,727
Creditors: amounts falling due after more than one year					
Accruals	16	**(1,083)**		(1,074)	
6% Convertible Unsecured Loan Stock 2021	16	**(35,000)**		(35,000)	
			(36,083)		(36,074)
Net assets			**31,693**		17,653
Capital and Reserves					
Called up share capital	17		**10,000**		10,000
Surplus on profit and loss account	18		**20,031**		7,633
Revaluation reserve	19		**1,662**		20
Equity shareholders' funds	20		**31,693**		17,653

Approved by the Board on 22 June 2009 and signed on its behalf:

Craig Anderson
Director

The notes on pages 28 to 43 form an integral part of these financial statements.

Company Balance Sheet

as at 31 March 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Tangible assets	10		**423**		565
Investments					
Investments in joint ventures	11	**7,801**		6,359	
Investments in Subsidiary	13	**228**		-	
			8,029		6,359
			8,452		6,924
Current assets					
Debtors	14	**42,489**		18,517	
Cash in hand and at bank		**29,598**		34,108	
		72,087		52,625	
Creditors: amounts falling due within one year	15	**(9,761)**		(5,035)	
Net current assets			**62,326**		47,590
Total assets less current liabilities			**70,778**		54,514
Creditors: amounts falling due after more than one year					
Accruals	16	**(1,083)**		(1,074)	
6% Convertible Unsecured Loan Stock 2021	16	**(35,000)**		(35,000)	
			(36,083)		(36,074)
Net assets			**34,695**		18,440
Capital and Reserves					
Called up share capital	17		**10,000**		10,000
Surplus on profit and loss account	18		**24,695**		8,440
Equity shareholders' funds	20		**34,695**		18,440

Approved by the Board on 22 June 2009 and signed on its behalf:

Craig Anderson
Director

The notes on pages 28 to 43 form an integral part of these financial statements.

Group Cash Flow Statement

for the year ended 31 March 2009

	Note	Year ended 31 March 2009 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000	Year ended 31 March 2008 £000
Cash outflow from operating activities	22		**(190)**		(662)
Returns on investments and servicing of finance:					
Interest received		**1,273**		2,232	
Interest paid		**(2,100)**		(2,100)	
Dividend paid		**-**		(4,500)	
			(827)		(4,368)
Taxation (paid)/recovered			**(37)**		364
Capital expenditure and financial investment:					
Purchase of tangible fixed assets		**(123)**		(152)	
Purchase of portfolio investments	12	**(3,373)**		(3,820)	
Investment in BSFI		**(1,442)**		(4,240)	
Sale of portfolio investments		**200**		1,518	
			(4,738)		(6,694)
Decrease in cash in the year	23		**(5,792)**		(11,360)
Reconciliation of net cash flow to movements in net debt					
Decrease in cash in the year			**(5,792)**		(11,360)
Change in net debt resulting from cash flows			**(5,792)**		(11,360)
Net funds at 1 April 2008			**522**		11,882
Net (debt)/funds at 31 March 2009	23		**(5,270)**		522

The notes on pages 28 to 43 form an integral part of these financial statements.

Group Statement of Total Recognised Gains and Losses

for the year ended 31 March 2009

		Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Profit for the financial year: Joint ventures	11	**299**	67
Profit/(loss) for the financial year: Group		**12,099**	(1,159)
Movement in revaluation reserve	20	**1,642**	20
Total gains recognised for the year		**14,040**	(1,072)
Joint ventures		**1,296**	67
Group		**12,744**	(1,139)
Total (losses) and gains recognised for the year		**14,040**	(1,072)

Statement of historical cost profit

for the year ended 31 March 2009

	Note	**Year ended 31 March 2009 £000**	Year ended 31 March 2008 £000
Reported profit/(loss) on ordinary activities before taxation		**17,764**	(943)
Realisation of revaluation gains of previous years	19	**-**	464
Historical cost profit/(loss) on ordinary activities before taxation		**17,764**	(479)
Historical cost profit/(loss) for the year retained after taxation		**12,398**	(628)

Reconciliation of Movements in Group Shareholders' Funds

for the year ended 31 March 2009

	31 March 2009 £000	31 March 2008 £000
Opening shareholders' funds	**17,653**	23,225
Profit/(loss) for the financial year	**12,398**	(1,092)
Dividend	**-**	(4,500)
Movement in unrealised surplus on portfolio investments	**1,642**	20
Closing shareholders' funds	**31,693**	17,653

The notes on pages 28 to 43 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2009

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.

Turnover

Turnover comprises revenue from the Group's support activities, Development Partnership Agreements (DPAs), PfS LEP procurements, interest on third party costs (work-in-progress) and secondment income.

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 and PfS Local Education Partnership procurement agreements

The Company's DPAs 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.

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

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. On termination of the Joint Arrangement with PfS the profit on termination was calculated as an agreed termination payment less the net amounts owed and payable and fees incurred (see note 4). 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 £7,475,000 was recognised in the year to 31 March 2009 (2008: £4,703,000). The Joint Arrangement ceased on 31 March 2009.

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. BSFI values its investments at fair value.

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 £nil (2008: £2,611,700) 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.

for the year ended 31 March 2009

2. Turnover

	2009 £000	2009 £000	2008 £000	2008 £000
DPA revenue		-		800
HM Treasury Framework revenues	**1,793**		2,017	
Advisory contracts	**12,769**		10,192	
International activities	**424**		258	
Total support income		**14,986**		12,467
Secondment income		**592**		1,020
Share of Partnerships for Schools revenue		**7,475**		4,703
		23,053		18,990
Share of procurement support revenue in joint ventures		**31**		67
		23,084		19,057

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:

	2009 £000	2008 £000
Expenditure under joint arrangement:		
Partnerships for Schools	**7,335**	6,346
Auditors' remuneration	**72**	60
Other services provided by PricewaterhouseCoopers		
Tax services	**40**	17
Remuneration services	**-**	32
Other services	**135**	-
Operating leases – land and buildings	**821**	908
Rental income from sub-tenants	**(375)**	(345)
Depreciation	**265**	258

4. Profit on termination of joint arrangement

	2009 £000
Proceeds on termination	**22,438**
Amounts no longer due/payable	**(1,819)**
Costs of termination	**(10)**
Profit on termination	**20,609**

4. Profit on termination of joint arrangement (continued)

At 31 March 2009 PUK's joint arrangement with PfS was terminated. The final signed termination agreement dated 3rd June 2009 reflected proceeds on termination of £22,438,000 and this was received on 8th June 2009. This represents both a return of amounts contributed and interest and profit on those contributions. PUK has previously charged all the amounts contributed to profit and loss account; hence both the return of amounts previously contributed and the interest and profit thereon appear as a profit on termination of £20,609,000. The profit on termination is after deducting £3,286,000 of deferred income, which is no longer receivable and the write back of a commitment of £1,467,000 for future funding which is no longer payable.

5. Employees

	2009 £000	2008 £000
Wages and salaries	**8,693**	8,225
Social security costs	**1,095**	981
Pension costs	**604**	545
	10,392	9,751

Average number of employees:	2009	2008
Transactors	**56**	53
Administration and support	**18**	18
Total	**74**	71

In addition, the Group's share of the expenditure of PfS includes £5,586,479 (2008: £4,237,477) in respect of employee costs. Included in the total expenditure of £5,586,479 is £821,581 of pension costs.

The Company contributes to a Group defined contribution scheme and to individual employees' personal pension schemes. As at 31 March 2009, the Group had liabilities in respect of money owed to scheme managers totalling £nil (2008: £nil).

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 21 and are summarised below:

	2009 £000	2008 £000
Aggregate emoluments	**1,732**	1,829
Pension contributions – defined contributions	**89**	81
Total emoluments	**1,821**	1,910

Emoluments of Chairman	**55**	50
Emoluments of highest paid director	**431**	492
Pension contributions for the highest paid director – defined contributions	**24**	23

Retirement benefits are accruing to five Directors under defined contribution pension schemes (2008: four).

7. Interest

	2009 £000	2008 £000
Interest receivable and similar income:		
Bank interest	**1,347**	2,256
Share of joint venture interest receivable	**690**	219
	2,037	2,475
Interest payable	**26**	-
Interest payable on 6% Convertible Unsecured Loan Stock 2021	**2,100**	2,100
	2,126	2,100

8. Tax on profit on ordinary activities

	2009 £000	2008 £000
Current tax:		
Corporation tax charge for the year at 28% (2008: 30%)	**5,480**	149
Over provision in prior year	**(3)**	-
Prior year tax loss claim	**(111)**	-
Net current tax charge	**5,366**	149

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

	2009 £000	2008 £000
Profit/(Loss) on ordinary activities before taxation	**17,764**	(943)
Tax on Profit/(Loss) on ordinary activities before taxation at 28% (2008: 30%)	**4,974**	(282)
Effects of:		
Prior year portfolio (impairments)/revaluations now realised	**-**	139
Impairment provisions	**884**	266
Indexation allowance	**-**	(28)
Prior year tax loss claim	**(111)**	-
Disallowed items	**28**	11
Capital allowances for the period below depreciation	**34**	27
Other timing differences	**(6)**	22
Over provision in prior year	**(3)**	-
Tax losses brought forward	**(434)**	(2)
Tax at lower 20% rate	**-**	(1)
Marginal relief	**-**	(3)
	5,366	149

9. Deferred tax asset

The Company and the Group have recognised the following amount of deferred tax at 31 March 2009:

	2009 £000	2008 £000
Accelerated capital allowances	**(5)**	(27)
Other timing differences	**5**	27
	-	-

Deferred tax asset at 1 April 2008	-
Deferred tax charge in profit and loss account for the year	-
Deferred tax asset at 31 March 2009	**-**

At the year end, based on a corporation tax rate of 28%, the Group also had an unrecognised deferred tax asset of £1,506,075 (2008: £1,221,389). This unrecognised deferred tax asset comprised tax losses of £nil (2008: £571,793), and timing differences of £1,506,075 (2008: £649,596).

10. Tangible fixed assets

	Group and Company		
	Leasehold improvements and furniture £000	Office and computer equipment £000	**Total £000**
Cost			
As at 1 April 2008	1,331	866	**2,197**
Additions	-	123	**123**
Disposals	-	-	**-**
At 31 March 2009	1,331	989	**2,320**
Depreciation			
As at 1 April 2008	1,020	612	**1,632**
Disposals	-	-	**-**
Charge	133	132	**265**
At 31 March 2009	1,153	744	**1,897**
Net book value at 31 March 2009	**178**	**245**	**423**
Net book value at 1 April 2008	311	254	**565**

for the year ended 31 March 2009

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 £7,475,000 was recognised in the year to 31 March 2009 (2008: £4,703,350).

The joint arrangement with PfS was terminated on 31 March 2009 (see note 4).

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.

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

Company	**Loan stock**
	£000
Cost	
As at 1 April 2008	**6,359**
Additions – BSFI	**1,442**
As at 31 March 2009	**7,801**

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

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

	2009 Group total £000	2008 Group total £000
Turnover	**31**	67
Operating costs	**(422)**	(219)
Operating (loss)	**(391)**	(152)
Interest receivable	**690**	219
Profit before taxation	**299**	67
Taxation	**-**	-
Profit after taxation	**299**	67
Fixed Assets	**3**	8
Portfolio investments	**9,238**	6,365
Current assets	**695**	817
	9,936	7,190
Liabilities due within one year	**(8,574)**	(7,124)
Share of net assets/(liabilities)	**1,362**	66
Investment in BSFI's 6% Unsecured Loan Stock 2026	**7,801**	6,359
	9,163	6,425

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 2008	66	6,359	**6,425**
Additions	-	1,442	**1,442**
Revaluation	997	-	**997**
Share of profit after taxation	299	-	**299**
Net book value as at 31 March 2009	1,362	7,801	**9,163**

for the year ended 31 March 2009

12. Portfolio investments

	Group £000	Company £000
Cost at 1 April 2008	**8,943**	-
Additions at cost	**3,373**	-
Disposals	**(562)**	-
Cost at 31 March 2009	**11,754**	-
Net revaluation at 1 April 2008	**(1,715)**	-
Movement in revaluation reserve	**645**	-
Impairment in the year	**(3,140)**	-
Disposals	-	-
Net revaluation at 31 March 2009	**(4,210)**	-
Valuation at 31 March 2009	**7,544**	-
Valuation at 1 April 2008	7,228	-

These investments comprise	Group 2009 £000	Group 2008 £000
Equity	**7,042**	6,541
Debt	**502**	687
Valuation at 31 March	**7,544**	7,228

	2009 £000	2008 £000
Non listed companies	**7,544**	7,228
Listed companies	-	-
Valuation at 31 March	**7,544**	7,228

The net revaluation gain at 31 March 2009 comprises revaluation gains of £645,000 and impairment provisions of £3,140,000 (2008: £20,000 and £885,000 respectively).

Total additions during the year of £3,373,000 represent investments in Cascade Technologies Limited, Morgan Everett Limited, Silistix, UMIP Premier Fund, Sustainable Technology Fund, Bridges Community Development Venture Fund II, The Acrobot Company Limited, Nexeon Limited, Nitech Solutions Limited and through BSFI Leisure Limited an investment in a leisure project in Leeds.

During the year the Group sold its holding in e Tourism Limited at a loss of £362,000 and wrote down the value of 9 investments by £3,140,000.

12. Portfolio investments (continued)

At 31 March 2009, the Group held the following portfolio investments:

Investment	Financial year of Initial investment	Shareholding	Business description
Cascade Technologies Limited	2006	13,89%	A company spun out of Strathclyde University which is developing products based on laser-based emission sensing.
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.
Pelamis Wavepower Limited	2006	2.4%	A company established to develop wave conversion technology based on the pelamis device.
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	17.6%	A company established to develop precision tools for robotic orthopaedic surgery.
Nexeon Limited	2007	9.2%	A company established to develop Lithium ion battery technology.
Silistix	2007	17.3%	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.
Sustainable Technology Fund	2007	n/a	A £30m enterprise capital fund set up to focus investment in UK companies which are developing new, clean and efficient industrial processes.
Bridges Community Development Venture Fund II	2008	n/a	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.
Environments For Learning Leeds PFI Three Limited	2008	10.0%	Investment in a leisure project in Leeds.
UMIP Premier Fund	2009	n/a	Invests in businesses emerging from the University of Manchester's academics departments.
Morgan Everett Limited	2009	10.3%	A company that has developed a thermal treatment method that destroys most forms of municipal waste at the point where it is created.

13. Investments 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
Partnerships for Waste Limited +	England	100
Partnerships for Housing Limited +	England	100
BSFI Leisure 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.

+ Dormant companies.

BSFI Leisure Limited is a company established to participate in the design, construction, finance and operation of a leisure project in Leeds that is being procured by Leeds City Council. 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 (2008: £1). The subsidiaries are consolidated in the group accounts of PUK.

14. Debtors

	Group 2009 £000	Group 2008 £000	**Company 2009 £000**	Company 2008 £000
Trade debtors	**4,977**	4,128	**4,977**	4,145
Amounts owed by subsidiary undertakings	**-**	-	**11,133**	9,257
Amounts due from joint ventures/arrangement	**1,943**	3,331	**2,648**	3,584
Amount due from Secretary of State	**22,438**	-	**22,438**	-
Other debtors	**306**	7	**299**	7
Prepayments	**584**	294	**584**	295
Accrued income	**410**	1,246	**410**	1,229
	30,658	9,006	**42,489**	18,517

Amounts due from joint ventures includes £nil (2008: £649,150) which is recoverable after more than one year. Amounts owed to the Company by subsidiary undertakings include £11,125,680 (2008: £9,257,160) 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 £11,125,680 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.

A letter of support has been given stating that Partnerships UK plc will provide continuing financial support to PUK Investments Limited to enable PUK Investments to meet its liabilities and commitments for the foreseeable future.

15. Creditors - amounts falling due within one year

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Trade creditors	**237**	363	**237**	363
Amounts due to subsidiary undertakings	**-**	-	**19**	19
Amounts payable under joint arrangement and joint venture	**-**	1,202	**-**	1,202
Corporation tax	**5,477**	148	**5,477**	145
Other taxation and social security	**530**	307	**530**	307
Other creditors	**701**	200	**701**	200
Accruals	**2,797**	2,799	**2,797**	2,799
	9,742	5,019	**9,761**	5,035

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

	Group and Company 2009 £000	Group and Company 2008 £000
Accruals	**1,083**	1,074
Debts maturing in more than five years:		
6% Convertible Unsecured Loan Stock 2021	**35,000**	35,000
	36,083	36,074

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 22 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.

A letter of support has been given stating that PartnershipsUK plc will provide continued financial support to PUK Investments Limited to enable PUK Investments Limited to meet its liabilities and commitments for the foreseeable future.

for the year ended 31 March 2009

17. Called up share capital

Authorised	**2009 Number of shares 000s**	2008 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	**2009 000s**	2008 000s
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 2009 £000	Company 2009 £000
Surplus brought forward at 1 April 2008	**7,633**	8,440
Profit for the year	**12,398**	16,255
Profit carried forward at 31 March 2009	**20,031**	24,695

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 £16,255,017 (2008: profit £334,000).

19. Revaluation reserve

	Group 2009 £000	Company 2009 £000
Reserve brought forward at 1 April 2008	**20**	-
Revaluation surplus in the year-Portfolio Investments	**645**	-
Revaluation surplus in the year-Joint Ventures	**997**	-
Reserve carried forward at 31 March 2009	**1,662**	-

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 £186,200 (2008: £6,000).

20. Movements in shareholders' funds

	Group 2009 £000	Company 2009 £000
Shareholders' funds as at 1 April 2008	**17,653**	18,440
Profit for the year	**12,398**	16,256
Revaluation surplus on portfolio investments	**1,642**	-
Shareholders' funds as at 31 March 2009	**31,693**	34,696

Shareholders' funds are all attributable to equity interests.

21. Contingencies and commitments

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 £7,801,000 has been utilised at 31 March 2009.

A letter of support has been given stating that PartnershipsUK plc will provide continued financial support to PUK Investments Limited to enable PUK Investments Limited to meet its liabilities and commitments for the foreseeable future.

As at 31 March 2009, the Group had entered into commitments to provide additional funding to the companies in which it holds portfolio investments of up to £1,924,196 (2008: £1,948,000).

At 31 March 2009, 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 2009 £000	Group/Company 2008 £000
Leases due to expire:		
Less than one year	**803**	-
In two to five years	-	809

22. Reconciliation of operating profit to operating cash flow

	2009 £000	2008 £000
Operating profit /(loss)	**1,137**	(487)
Depreciation	**265**	258
Decrease in work in progress	**-**	632
(Increase) in debtors	**(969)**	(1,728)
(Decrease)/Increase in creditors	**(623)**	663
Cash (outflow) from operating activities	**(190)**	(662)

23. Analysis of net funds

	At 31 March 2008 £000	Cash flow £000	At 31 March 2009 £000
Cash in hand and at bank	35,522	(5,792)	**29,730**
Debt due after one year	(35,000)	-	**(35,000)**
	522	(5,792)	**(5,270)**

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 2009, Her Majesty's Treasury and Scottish Ministers were holders of 6% Convertible Unsecured Loan Stock 2021. Their holdings were £15,594,446 (2008: £15,594,446) and £1,555,554 (2008: £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 £1,018,166 (2008: £1,097,679) in the year.

The Group provided services to Government Departments and recovered occupancy costs from Government Departments of £15,436,891 (2008: £14,204,410) and £374,293 (2008: £345,988) respectively for the year. At 31 March 2009, the Group was owed £4,817,872 (2008: £3,796,264) and £nil (2008: £98,623) respectively in respect of these services. The Group owed £nil (2008: £111,453) at 31 March 2009 in respect of occupancy costs.

The Company supplied services to PfS amounting to £112,403 (2008: £178,238) during the year. At 31 March 2009, the amounts payable to PfS by the Company were £nil (2008: £1,202,285) and the Company was owed £21,442 (2008: £3,331,400).

At 31 March 2009 PUK's joint arrangement with PfS was terminated. This has resulted in proceeds of £22,438,000 and a profit on termination of £20,609,000 (see Note 4).

At 31 March 2009 PUK was owed £1,943,050 in respect of revenue from PfS.

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	**2009 Group total £000**
Operating profit/(loss)	998	(1)	140	(391)	746
Profit on Termination of Joint Arrangement	20,609				20,609
Loss on sale of portfolio investments	-	(362)	-	-	(362)
Amounts written off investments	-	(3,140)	-	-	(3,140)
Interest receivable	1,327	20	-	690	2,037
Interest payable	(2,126)	-	-	-	(2,126)
Profit/(loss) on ordinary activities before taxation	**20,808**	**(3,483)**	**140**	**299**	**17,764**

	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
Amounts written off 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)**

Members of the Advisory Council

As at 31 March 2009

Government Departments

Sir Nick Macpherson [1]	HM Treasury
Alexis Cleveland	Cabinet Office
Peter Unwin	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
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Devolved Administrations

Martin Sykes	Value Wales
Alistair Brown	Scottish Ministers
David Gavaghan	Northern Ireland Strategic Investment Board

Public Sector Stakeholders

Steve Allen	Transport for London
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

[1] Chairman of the Advisory Council

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