

Partnerships UK plc

Annual report

**For the eighteen months period ended
30 September 2011**

Company number 3993425



PARTNERSHIPS UK PLC DIRECTORS' REPORT

for the eighteen months period ended 30th September 2011

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 eighteen months period, ended 30th September 2011

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 has worked exclusively with and for the public sector, and is a joint venture between the public and private sectors and so is itself a PPP. Following a decision by the Board to embark on a process of disposing of the businesses and investments of PUK, PUK has ceased to trade and, the accounts have been prepared on a break up basis.

During the period the following transactions have taken place

- 1 Sale of PUK's Local Waste Business to Local Partnerships for £80k, completed 25 May 2010, which resulted in a profit on disposal of £80k
- 2 Sale of PUK's Welsh Business to Local Partnerships for £40k, completed 6 July 2010, which resulted in a profit on disposal of £40k
- 3 Sale of PUK's Consultancy Business to HM Treasury for £4m, completed 1 August 2010, which resulted in a profit on disposal of £4m, representing the value attributable to the consultancy business
- 4 Sale of PUK's 50% share in Local Partnerships to HM Treasury for £700k, completed 1 August 2010 which resulted in a loss on disposal of £50k
- 5 Sale of PUK investments in Nexeon, Sustainable Technology Fund and Acrobot business and Assets for a combined total of £4.1m, resulting in a profit on disposal of £83k
- 6 On the 23 May 2011 PUK sold the entire issued capital of PUK investments for £1, and novated the £2,000,000 shareholder loan to New Hill growth fund 1 LP, resulting in a loss on disposal of £73k
- 7 Sale of PUK's 50% interest in Building Schools for the Future Investments LLP for £29.2m, completed 12 August 2011, resulting in a profit on disposal, after costs, of £7.2m

Results and Dividend

The Group's Profit for the eighteen months period before taxation amounted to £9,586,000 (2010 loss £8,083,000) and the profit after tax amounted to £7,224,000 (2010 loss £7,246,000), as shown on page 8. On 1 November 2010 a dividend of £5m was paid (2010 £4m).

Directors and Directors' interests

The Directors of the Company, who served throughout the period are as follows

Gren Folwell, Chairman

Craig Anderson, Non Executive from 1 July 2011

David Clements

Peter Schofield

Michael Gerrard , Deputy Chief Executive to 28 February 2010, Chief Executive to 31 December 2010, Resigned 31 December 2010

Claudia Arney, Resigned 31 December 2010

James Stewart, Resigned 28 February 2011

Andrew Friend, Resigned 30 September 2010

Stephen Lovegrove, Resigned 31 December 2010

Christina McComb, Resigned 30 September 2010

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

Shareholders

At 30 September 2011, 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
	<u>5,100,000</u>	<u>51 00</u>
B Ordinary shares		
H M Treasury	4,455,556	44 56
The Scottish Ministers	444,444	4 44
	<u>4,900,000</u>	<u>49 00</u>
Total	<u>10,000,000</u>	<u>100 00</u>

Financial risk management

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 UK clearing banks

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,
- 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 company's auditors are aware of that information

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

Going Concern

The company has now ceased trading and is expected to go into solvent liquidation in September 2012 and surplus cash will be returned to shareholders, as explained in note 1

Charitable donations

The Company has made charitable donations of £500 (2010 £10,576)

Auditors

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

By order of the Board

A handwritten signature in black ink, appearing to read 'Clive Ellis', written in a cursive style.

Clive Ellis
Secretary
33 Greycoat Street
London SW1P 2QF

20 December 2011

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 18 months period ended 30 September 2011 which comprise Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Reconciliation of Movements in Shareholders' Funds, the Statement of Historical Cost Profit, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2011 and of the group's profit and cash flows for the 18 months period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARTNERSHIPS UK PLC

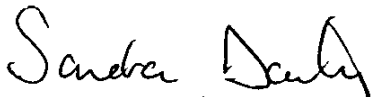
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Emphasis of matter – basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the going concern basis of accounting. Following a decision made by the Board of Directors to dispose of the businesses and investments, the entity ceased trading and will be liquidated. Accordingly the going concern basis of accounting is no longer appropriate. Adjustments have been made in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision and to reclassify fixed assets and long term liabilities as current assets and liabilities.



Sandra Dowling (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside, London, SE1 2RT
20 December 2011

Group Profit and Loss Account

for the eighteen months period ended 30th September 2011

	Note	18 months ended 30 September 2011 £000	Year ended 31 March 2010 £000
Turnover Group and share of joint ventures	2	3,717	15,987
Less share of joint ventures' turnover		-	(3,201)
Group turnover	2	3,717	12,786
Administration expenses		(5,841)	(13,535)
Other operating income		-	355
Operating (loss)		(2,124)	(394)
Share of net operating (loss) in joint ventures		-	(1,179)
Total operating (loss) : Group and share of joint ventures		(2,124)	(1,573)
Exceptional Item	3	-	(1,862)
Profit on termination of Joint Arrangement	11	7,186	-
Profit on Sale of Consultancy businesses		4,120	
Profit on sales of portfolio investments	12	832	-
Profit / (loss) on ordinary activities before interest and impairment of investments		10,014	(3,435)
Interest receivable and similar income	7	4,002	1,847
Amounts written off investments	12	(1,535)	(3,621)
Interest payable and similar charges	7	(2,895)	(2,874)
Profit / (loss) on ordinary activities before taxation	4	9,586	(8,083)
Profit / (loss) before interest on the 6% Convertible Unsecured Loan Stock and taxation		10,973	(5,983)
Interest payable on 6% Convertible Unsecured Loan Stock	7	(1,387)	(2,100)
Profit / (loss) on ordinary activities before taxation	4	9,586	(8,083)
Tax (charge)/credit on profit on ordinary activities	8	(2,362)	837
Profit / (loss) on ordinary activities after taxation		7,224	(7,246)
Profit / (loss) for the financial period	19	7,224	(7,246)

The Group's Profit / (loss) before taxation and profit / (loss) for the financial year, on a historical cost basis, is set out on page 12

All results above are in respect of discontinued operations, See note 1

The notes on pages 13 to 23 form an integral part of these financial statements

Group Balance Sheet

as at 30th September 2011

		30 th September 2011		31 st March 2010	
	Note	£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	10		-		-
CURRENT ASSETS					
Investments	11				
Interests in joint ventures				21,355	
Share of gross assets		-		(4,180)	
Share of gross liabilities		-		17,175	
		-		6,409	
Portfolio investments	12	-		23,584	
		-		4,609	
Debtors	14	415		16,001	
Cash in hand and at bank		26,366		44,194	
		26,781			
CURRENT LIABILITIES					
Creditors amounts falling due within one year	15	(3,413)		(23,050)	
NET CURRENT ASSETS			23,368		21,144
TOTAL ASSETS LESS CURRENT LIABILITIES			23,368		21,144
NET ASSETS			23,368		21,144
CAPITAL AND RESERVES					
Called up share capital	16		10,000		10,000
Surplus on profit and loss account	17		13,368		8,785
Revaluation reserve	18		-		2,359
EQUITY SHAREHOLDERS' FUNDS	19		23,368		21,144

Approved by the Board on 20th December 2011 and signed on its behalf



Gren Folwell
Chairman

The notes on pages 13 to 23 form an integral part of these financial statements

Company Balance Sheet

as at 30th September 2011

		30 th September 2011 2011		31 st March 2010	
	Note	£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	10		-		-
CURRENT ASSETS					
Tangible assets		-		-	
Investments					
Investments in joint ventures		-		14,841	
Investments in Subsidiary		-		228	
Portfolio investments		-		-	
Debtors	14	415		18,789	
Cash in hand and at bank		26,366		15,848	
		<u>26,781</u>		<u>49,706</u>	
CURRENT LIABILITIES					
Creditors amounts falling due within one year	15	(3,413)		(22,725)	
NET CURRENT ASSETS			23,368		26,981
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>23,368</u>		<u>26,981</u>
NET ASSETS			<u>23,368</u>		<u>26,981</u>
CAPITAL AND RESERVES					
Called up share capital	16		10,000		10,000
Surplus on profit and loss account	17		13,368		16,981
EQUITY SHAREHOLDERS' FUNDS	19		<u>23,368</u>		<u>26,981</u>

Approved by the Board on 20th December 2011 and signed on its behalf



Gren Folwell
Chairman

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Group Cash Flow Statement

for the eighteen months period ended 30th September 2011

	Note	18 months ended 30 September 2011		Year ended 31 March 2010	
		£000	£000	£000	£000
Cash (outflow) /inflow from operating activities	21		(2,804)		24,031
Returns on investments and servicing of finance					
Interest received		2,494		1,923	
Interest paid		(1,387)		(2,114)	
Dividend paid		(5,000)		(4,000)	
			(3,893)		(4,191)
Taxation (paid) / recovered			155		(5,478)
Capital expenditure, disposals and financial investment					
Purchase of tangible fixed assets		-		(54)	
Sale of Leeds Leisure		228			
Sale of portfolio investments		6,696			
Sale of Local Partnerships		700			
Sale of Consultancy businesses		4,120			
Sale of BSFI (net of costs)	11	27,910			
		39,654		(54)	
Purchase of portfolio investments	12	(568)		(1,486)	
Investment in BSFI	11	(4,079)		(8,051)	
Investment in Local Partnerships		(600)		(1,000)	
			34,407		(10,591)
Increase in cash in the year	22		27,865		3,771
Reconciliation of net cash flow to movements in net debt					
Increase in cash in the year			27,865		3,771
Change in net debt resulting from cash flows			27,865		3,771
Net funds at 1 April 2010			(1,499)		(5,270)
Net funds / (debt) at 30 September 2011	22		26,366		(1,499)

The notes on pages 13 to 23 form an integral part of these financial statements

Group Statement of Total Recognised Gains and Losses

for the eighteen months period ended 30th September 2011

	Note	18 months ended 30 September 2011	Year ended 31 March 2010
			£000
Profit / (loss) for the financial year Joint ventures	11	1,675	(994)
Profit / (loss) for the financial year Group		5,549	(6,252)
Movement in revaluation reserve	18	(2,359)	697
Total (losses) / gains recognised for the year		<u>4,865</u>	<u>(6,549)</u>
Joint ventures		(17)	(297)
Group		<u>4,882</u>	<u>(6,252)</u>
Total (losses) / gains recognised for the year		<u>4,865</u>	<u>(6,549)</u>

Statement of historical cost profit

for the eighteen months period ended 30th September 2011

	18 months ended 30 September 2011	Year ended 31 March 2010
	£000	£000
Reported profit / (loss) on ordinary activities before taxation	9,586	(8,083)
Historical cost profit / (loss) on ordinary activities before taxation	<u>9,586</u>	<u>(8,083)</u>
Historical cost (loss)/ profit for the year retained after taxation	<u>7,224</u>	<u>(7,246)</u>

Reconciliation of Movements in Group Shareholders' Funds

for the eighteen months period ended 30th September 2011

	18 months ended 30 September 2011	Year ended 31 March 2010
	£000	£000
Opening shareholders' funds	21,144	31,693
Profit / (loss) for the financial year	7,224	(7,246)
Dividend	(5,000)	(4,000)
Movement in unrealised surplus on Joint Venture	-	697
Closing shareholders' funds	<u>23,368</u>	<u>21,144</u>

The notes on pages 13 to 23 form an integral part of these financial statements

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

1. Accounting Policies

Basis of preparation

The financial statements have been prepared on a break up basis 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.

The directors have prepared these financial statements on a break up basis, which is appropriate given that the company is expected to be liquidated within the twelve month period following the date of signing of these financial statements. Assets have been valued at their estimated net recoverable value and liabilities accrued for commitments at the balance sheet date. The company has ceased trading.

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, revaluation, interest and taxation.

Turnover

Turnover comprises revenue from the Group's support activities and secondment income.

Revenue from support activities and secondments is recognised as it is earned.

Interest in Joint Arrangements

PUK accounts for BSFI and Local Partnerships as joint ventures, which involves recognising the Group's share of the joint ventures gross assets and liabilities, turnover, operating profit, revaluation, interest and taxation.

Fixed assets and depreciation

During the previous year depreciation was accelerated to write all the assets down to £nil net book value.

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual instalments over the lease term. In the prior year the full costs associated with building dilapidations have been accrued in the financial statements.

Rental income received is recognised on an earned basis.

Deferred taxation

A 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.

Portfolio investments

The Group

The Group has valued all portfolio investments on a net realisable value. Any diminutions in value below original cost are charged to the profit and loss account.

The Company

The Company's investments in subsidiary undertakings and joint venture undertakings are valued at the lower of cost and net realisable value.

Notes to the Financial Statements

for the eighteen month period ended 30th September 2011

2. Turnover

	2011	2011	2010	2010
	£000	£000	£000	£000
HM Treasury Framework revenues	3,717		1,390	
Advisory contracts	-		10,552	
International activities	-		454	
Total support income		3,717		12,396
Secondment income		-		390
		3,717		12,786
Share of procurement support revenue in joint ventures		-		3,201
		3,717		15,987

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

3. Exceptional item

The exceptional item in 2010 of £1,862,000 relates to the provision for redundancy provisions, professional fees, dilapidations of premises and the write down of tangible assets, as a result of the decision to sell the business and investments of the Group

4. Profit on ordinary activities before taxation

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

	2011	2010
	£000	£000
Fees payable to company auditor for audit of parent company and consolidated accounts	25	94
Fees payable to the company's auditors and its associates for client services		
Taxation services	112	53
Other services	40	51
Operating leases – land and buildings	-	821
Rental income from sub-tenants	-	(352)
Depreciation	-	477

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

5. Employees

	2011 £000	2010 £000
Wages and salaries	2,732	7,587
Social security costs	362	923
Pension costs	310	577
	<u>3,404</u>	<u>9,087</u>
Average number of employees	2011	2010
Transactors	12	54
Administration and support	5	17
Total	<u>17</u>	<u>71</u>

The Company contributes to a Group defined contribution scheme and to individual employees' personal pension schemes. As at 30th September 2011, the Group had liabilities in respect of money owed to scheme managers totalling £nil (2010: £nil).

6. Directors' emoluments

	2011 £000	2010 £000
Aggregate emoluments	728	1,501
Pension contributions – defined contributions	81	95
Total emoluments	<u>809</u>	<u>1,596</u>
Emoluments of Chairman	60	48
Emoluments of highest paid director	247	415
Pension contributions for the highest paid director – defined contributions	30	24

Retirement benefits are accruing to five Directors under defined contribution pension schemes (2010: five).

7. Interest

	2011 £000	2010 £000
Interest receivable and similar income		
Interest receivable from banks and loans	1,571	902
Share of joint venture interest receivable	2,431	945
	<u>4,002</u>	<u>1,847</u>
Share of joint venture interest payable	1,508	760
Interest payable	-	14
Interest payable on 6% Convertible Unsecured Loan Stock	1,387	2,100
	<u>2,895</u>	<u>2,874</u>

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

8. Tax on profit on ordinary activities

	2011 £000	2010 £000
Current tax		
Corporation tax charge for the year at 26% (2010 28%)	2,400	(852)
Under/(over) provision in prior year	(38)	15
Net current tax charge / (credit)	<u>2,362</u>	<u>(837)</u>

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

	2011 £000	2010 £000
(Loss) /Profit on ordinary activities before taxation	<u>9,586</u>	<u>(8,083)</u>
Tax on Profit/(Loss) on ordinary activities before taxation at 26% (2010 28%)	2,641	(2,263)
Effects of		
Impairment provisions	-	898
Net effect of non trading profits on disposals and non tax deductible impairments and losses on disposal	(38)	-
Disallowed items	6	236
Capital allowances for the period below depreciation	-	57
Other timing differences	(209)	(29)
Under/(over) provision in prior year	(38)	15
Tax losses carried/(brought) forward	-	234
	<u>2,362</u>	<u>(852)</u>

9. Deferred tax asset

The Company and the Group have recognised the following amount of deferred tax at 30 September 2011

	2011 £000	2010 £000
Accelerated capital allowances	-	(8)
Other timing differences	-	8
	<u>-</u>	<u>-</u>
Deferred tax asset at 1 April 2010	-	-
Deferred tax charge in profit and loss account for the year	-	-
Deferred tax asset at 30 September 2011	<u>-</u>	<u>-</u>

At the year end, based on a corporation tax rate of 26%, the Group also had an unrecognised deferred tax asset of £nil (2010 £2,296,772) This unrecognised deferred tax asset comprised tax losses of £nil (2010 £233,782), and timing differences of £nil (2010 £2,062,990)

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

10. Tangible fixed assets

	Group and Company		
	Leasehold Improvements and furniture £000	Office and computer equipment £000	Total £000
Cost			
As at 1 April 2010	1,331	1,043	2,374
Disposals	(1,331)	(1,043)	(2,374)
At 30 September 2011	-	-	-
Depreciation			
As at 1 April 2010	1,331	1,043	2,374
Disposals	(1,331)	(1,043)	(2,374)
At 30 September 2011	-	-	-
Net realisable value at 30 September 2011	-	-	-
Net book value at 1 April 2010	-	-	-

11. Investments in joint ventures and joint arrangements

Particulars of all joint venture undertakings

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

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 33 Greycoat Street, London SW1P 2QF.

On 12 August 2011 International Public Partnerships Limited acquired 100% of the interests in BSFI from Partnerships UK and the Secretary of State for Children, Schools and Families.

Local Partnerships was established to provide support to Local Authorities and its principal place of business is 76-86 Turnmill Street, London, EC1M 5LG. On 1 August 2010 PUK's interest in Local Partnerships was acquired by HM Treasury.

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

Company

Cost	Loan Stock at cost £000
As at 1 April 2010	14,841
Additions -BSFI	4,079
Additions – Local Partnerships	600
Disposals at cost- BSFI	(18,771)
Disposals at cost- Local Partnerships	(750)
As at 30 September 2011	-

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

	2011 Group Total £000	2010 Group Total £000
Turnover	-	3,201
Operating costs	(756)	(4,380)
Operating (loss)	(756)	(1,179)
Interest receivable	2,431	945
	1,675	(234)
Interest payable	(1,508)	(760)
Profit before taxation	167	(994)
Taxation	-	-
Profit after taxation	167	(994)
Fixed assets	-	17,205
Current assets	-	4,150
Share of gross assets	-	21,355
Liabilities due within one year	-	(4,180)
Share of gross liabilities	-	17,175

Disposal proceeds from the sale of BSFI where £29 2m, which after deducting the cost of investment £18 7m, costs of disposal £1 3m, revaluation reserves £1 6m and consolidated reserves up to disposal of £0 5m created a profit on disposal of £7 2m

12. Portfolio investments

	Group £000
Cost at 1 April 2010	12,759
Additions at cost	1,918
Disposals at cost	(14,677)
Cost at 30 September 2011	-
Net revaluation at 1 April 2010	(6,350)
Impairment in the year	(1,535)
Disposals	7,885
Net revaluation at 30 September 2011	-

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

These investments comprise.

	Group	
	2011 £000	2010 £000
Equity	-	5,938
Debt	-	471
Valuation at 31 March	-	6,409
	2011 £000	2010 £000
Non listed companies	-	6,409
Valuation at 31 March	-	6,409

Total additions during the year include £600k in Local Partnerships and £268k in Bridges Community Development Venture Fund II, Nitech Solutions Limited and Monica Healthcare

During the year the Group sold all its investments excluding the UMIP Premier Fund (UMIP), which invests in businesses emerging from the University of Manchester's academic departments. During the year the group invested a further £300k in UMIP. There is an outstanding commitment to provide another £750k of funding to UMIP. It is proposed that the UMIP Premier Fund together with the outstanding commitment of £750k will be transferred into a trust prior to liquidation. It is proposed that the beneficiaries of the trust will be the existing shareholders and for this reason PUK has written off the full value of the fund at 30 September 2011 of £592k, and has accrued for the outstanding commitment of £750k.

On 23 May PUK Investments issued 7,148,334 Ordinary shares of £1 each in the capital of the company, these shares were allocated to PUK plc and the subscription proceeds were used to reduce the intercompany loan to £2,000,000.

On 26 May 2011 Partnerships UK plc sold the entire issued capital of PUK Investments for £1 and novated the £2,000,000 shareholder loan to New Hill growth Fund 1 LP.

On 26 May Partnerships UK plc acquired PUK Investments Limited investment in Silistix Limited for £1 and on the same day Silistix was sold to New Hill Growth Fund 1 LP for £1.

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

13. Investment in subsidiary undertakings

Particulars of all subsidiary undertakings

	Country of incorporation	% Ordinary/ Preference share capital held	Details
Treasury Taskforce	England	100	Struck off
Partnerships UK Finance Limited+	England	100	Strike off pending
PUK Investments Limited	England	100	Sold
Partnerships for Waste Limited	England	100	Struck off
Partnerships for Housing Limited	England	100	Struck off
BSFI Leisure Limited	England	100	Sold

+ Dormant companies

On 26 May 2011 PUK Investments issued 7,148,334 Ordinary Shares of £1 each in the capital of the company, these shares were allocated to PartnershipsUK plc and the proceeds of the subscription were used to reduce the intercompany loan to £2,000,000. On 26 May 2011 PartnershipsUK plc sold the entire issued share capital of PUK Investments to New Hill Growth Fund 1 LP for £1 and novated the £2,000,000 shareholder loan to New Hill Growth Fund LP for £2,000,000.

14. Debtors

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Trade debtors	8	3,123	8	3,123
Amounts owed by subsidiary undertakings	-	-	-	13,342
Amounts due from joint ventures/arrangement	-	35	-	871
Other debtors	407	3	407	3
Prepayments	-	371	-	370
Taxation	-	851	-	851
Accrued income	-	226	-	229
	415	4,609	415	18,789

Amounts owed to the Company by subsidiary undertakings include £nil (2010 £13,341,817) which was repayable on demand and carried interest at a rate of 6%.

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

15. Creditors – amounts falling due within one year

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2009 £000
Trade creditors	637	588	637	588
Corporation tax	1,666	-	1,666	-
Other taxation and social security		1,262		1,263
Other creditors	752	296	752	296
6% Convertible Unsecured Loan Stock 2021	-	17,500	-	17,500
Accruals	358	3,404	358	3,078
	<u>3,413</u>	<u>23,050</u>	<u>3,413</u>	<u>22,725</u>

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.

PUK repaid the total value of the £17.5m of CULS during the year, £7.5m in April 2011 and the remaining balance of £10m was redeemed in September 2011.

Other creditors include the £750k UMIP commitment.

16. Called up share capital

Authorised	2011 Number of shares 000s	2010 Number of shares 000s
A Ordinary shares of £1 each	45,100	45,100
B Ordinary shares of £1 each	4,900	4,900
	<u>50,000</u>	<u>50,000</u>
Allotted, issued and fully paid	2011 000s	2010 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
	<u>10,000</u>	<u>10,000</u>

Save as described below, the A and B Ordinary shares rank par 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 the 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.

Notes to the Financial Statements

for the eighteen months period ended 30th September 2011

Prior to repayment, the Directors were authorised to issue Ordinary shares and CULS, in the ratio of £1 Ordinary share with £2.50 CULS, provided the number allotted did 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

17. Profit and loss account

	Group 2011 £000	Company 2011 £000
Surplus brought forward at 1 April 2010	8,785	16,981
Profit for the year	7,224	1,387
Revaluation surplus realised during the period	2,359	-
Dividend	(5,000)	(5,000)
Profit carried forward at 30 September 2011	<u>13,368</u>	<u>13,368</u>

As permitted by Section 408 of the Companies Act 2006, a separate company profit and loss account has not been included in these financial statements. Company profit after taxation for the 18 months period is £1,462,000 (2010 Loss £3,713,625).

18. Revaluation reserve

	Group 2010 £000	Company 2010 £000
Reserve brought forward at 1 April 2010	2,359	-
Revaluation surplus realised during the period	(2,359)	-
Reserve carried forward at 30 September 2011	<u>-</u>	<u>-</u>

19. Movements in shareholders' funds

	Group 2011 £000	Company 2011 £000
Shareholders' funds as at 1 April 2010	21,144	26,981
Profit for the year	7,224	1,387
Revaluation surplus on portfolio investments	-	-
Dividend	(5,000)	(5,000)
Shareholders' funds as at 30 September 2011	<u>23,368</u>	<u>23,368</u>

Shareholders' funds are all attributable to equity interests

20. Contingencies and commitments

As at 30 September 2011, the Group had a commitment to provide additional funding to the companies in which it holds portfolio investments of up to £750,000 and this has been accrued in the balance sheet at 30 September 2011. In 2010 there was a £1,483,460 commitment which was not reflected in the financial statements as at 31 March 2010.

Notes to the Financial Statements

for the eighteen months ended 30th September 2011

21. Reconciliation of operating profit to operating cash flow

	2011 £000	2010 £000
Operating / (loss)	(2,124)	(394)
Depreciation	-	477
Decrease in debtors	3,343	26,047
(Decrease) in creditors	(4,023)	(2,099)
Cash (outflow) inflow from operating activities	<u>(2,804)</u>	<u>24,031</u>

22. Analysis of net funds

	At 31 March 2010 £000	Cash flow £000	At 30 September 2011 £000
Cash in hand and at bank	16,001	10,365	26,366
Debt due	(17,500)	17,500	-
	<u>(1,499)</u>	<u>27,865</u>	<u>26,366</u>

23. 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.

The Company occupied 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 £115,278 (2010 £1,018,985) in the period.

The Group provided services to Government Departments and recovered occupancy costs from Government Departments of £3,717,000 (2010 £11,616,837) and £nil (2010 £351,944) respectively for the period. At 30 September 2011, the Group was owed £nil (2010 £3,035,999).