



Learning and Teaching Scotland

(Limited by Guarantee and not having a Share Capital)

Report and Financial Statements

Year ended
31 March 2007

*Registered in Scotland, number SC200241
Recognised as a Charity, number SC030217*

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Further information on Learning and Teaching Scotland is given on the company's website, LTScotland.org.uk where the 2006/07 Annual Review details the activities carried out in the year to 31 March 2007.

The 2007/08 Operating Plan is also available on this website.

Directors' report

Directors		Appointed Until
Mr John Mulgrew OBE (<i>Chair</i>)	(2), (3)	31 March 2010
Dr Ray Harris	(2)	30 June 2007
Mr Bernard McLeary, (<i>Chief Executive</i>)	(2)	
Ms Iris McMillan	(1)	30 June 2007
Mr John Mitchell	(1), (3)	30 June 2007
Mr Graeme Ogilvie (appointed 1 July 2006)	(1)	30 June 2010
Mr Fraser Sanderson	(3)	31 July 2007
Prof. Douglas Weir	(1), (2)	31 July 2009
Prof. Kay Livingston (appointed 1 July 2006)	(3)	Resigned, 30 April 2007
Prof. Lesley Beddie		End of office, 30 June 2006
Prof. Martyn Roebuck		End of office, 30 June 2006
Mr Keir Bloomer		Resigned, 30 April 2006

- (1) Member of the Audit Committee during the year
 (2) Member of the Chair's Committee during the year
 (3) Member of the Remuneration Committee during the year.

Corporate Management Team

Mr Bernard McLeary	Chief Executive
Mr Stuart Ritchie	Director of Curriculum
Mr Laurie O'Donnell	Director of Learning and Technology
Mr Stewart Carruth	Director of Corporate Services (as from 3 July 2006)
Mr Alan Armstrong	Director of Education Improvement (as from 5 June 2006)

Company Secretary

Mr Alistair Gordon

Headquarters and Registered Office

Optima Building, 58 Robertson Street, Glasgow, G2 8DU

Offices also at Gardyne Road, Dundee, DD5 1NY

Auditors

Scott Moncrieff Chartered Accountants, 17 Melville Street, Edinburgh EH3 7PH

Bankers

Royal Bank of Scotland PLC, 23 Sauchiehall Street, Glasgow G2 3AD

Solicitors

MacRoberts, 152 Bath Street, Glasgow G2 4TB

The Directors submit their report and the audited financial statements for the year ended 31 March 2007.

1. Brief history, organisational background, objectives and principal activities

Learning and Teaching Scotland (LT Scotland) was formed on 1 July 2000 as the result of a merger between the Scottish Consultative Council on the Curriculum (SCCC) and the Scottish Council for Educational Technology (SCET®).

LT Scotland is a recognised charity, involved in the advancement of education for the public benefit, with its governing document being its Memorandum and Articles of Association.

Directors' report (continued)

1. Brief history, organisational background, objectives and principal activities (continued)

LT Scotland is managed by a board of up to ten Directors, who are appointed for their individual expertise. The Memorandum and Articles provide that all directors are appointed by Scottish Ministers and that the Chief Executive is, by virtue of that position, a Director of LT Scotland.

LT Scotland is an Executive Non-Departmental Public Body. Its principal objectives and activities are to:

- actively promote a climate of innovation, ambition and excellence throughout the Scottish education system.
- support teachers, schools and local authorities in improving the quality of education and raising levels of achievement of all learners.
- ensure that the curriculum and approaches to learning and teaching, including the use of ICT, assist children and young people in Scotland to develop their full potential.
- work in close partnership with The Scottish Executive and other key stakeholders to build capacity and support the delivery of a first class education that is recognised as such nationally and internationally.

LT Scotland is funded in part by core grant-in-aid from the Scottish Executive. LT Scotland also receives funding for specific education programmes from a variety of sources and generates income from the sale of products and services to a wide range of stakeholders in education and life-long learning.

2. Basis of Financial Statements

The financial statements have been prepared in a form directed by the Scottish Ministers in accordance with the Educational Development, Research and Services (Scotland) Grant Regulations, 1999. This direction is shown as an Appendix to these financial statements.

3. Statement of Directors' responsibilities

United Kingdom Company Law requires the Directors to prepare financial statements that give a true and fair view of the state of affairs of the company at the year end and of the surplus or deficit for the financial year. In so doing, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors and Chief Executive are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as each of the directors, at the time the report is approved, are aware there is no relevant information of which the company's auditors are unaware; and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of the information.

4. Operating and Financial Review

Working in close partnership with the Scottish Executive Education Department and the Scottish Qualifications Authority, we have been taking forward the Scottish Executive's education agenda, with a particular focus on leading and supporting developments associated with *A Curriculum for Excellence* and the establishment of the Glow network (previously called Scottish Schools Digital Network) across Scotland. In that context, we have taken a lead role in communicating and engaging with education authorities and schools across the country to add value to their work on shared priorities.

Directors' report (continued)

4. Operating and Financial Review (continued)

We recognise that much remains to be done as we take forward the national agenda. Our capacity to lead and support the education system has been greatly increased with the appointment of our full corporate management team by June 2006 and a team of programme directors and area advisers in place for the start of the 2006-07 school session.

LT Scotland received Core Grant in aid in the year of £5,450,000 (2006: £4,955,000) and, in addition, received government funding for specific educational programmes and projects amounting to £14,940,536 (2006: £13,221,079). Under the provisions of the Government Financial Reporting Manual ('FReM') these receipts are treated as movements on reserves rather than as income as more fully explained in the financial statements, including Note 19. Accordingly LT Scotland's income and expenditure account shows a deficit for the year of £19,548,069 (2006: deficit of £20,667,463). This has been transferred to the General Reserve. The results for the year were impacted by the following factors:

Operational

In operational terms we are now well established in our new fit for purpose Headquarters in Glasgow with a significant improvement in both working conditions and visibility of LT Scotland. We have also carried out a further voluntary severance scheme, predominantly affecting our support staffing. The savings from this measure, and its equivalent at the end of the previous year, have allowed us to invest in front line educational staff. This is critical to the achievement of our educational priorities.

Accounting for Pension Scheme Liabilities

Under the provisions of Financial Reporting Standard 17 (FRS17) we show our net pension scheme assets/liabilities on our balance sheet. As more fully explained in Notes 10 and 17 to the accounts, the balance sheet showed a Strathclyde Pension Fund liability of £5.5m at 31 March 2006. The equivalent figures at 31 March 2007 show the liability significantly reduced to £2.9m, a reduction of £2.6m. In the year just ended we have benefited from an increase in the corporate bond yield rate which is used by the Fund actuary to calculate the present value of our future pension liabilities. Whilst welcome, this demonstrates the volatility of our reported results to external factors.

5. Post balance sheet events

Note 18 to the accounts discloses the interest taken by LT Scotland in May 2007 in what is now a wholly owned subsidiary, Macrocom (968) Limited. This company, currently dormant, has been formed with a view to exploiting commercial opportunities in due course.

6. Payment of suppliers

LT Scotland generally pays suppliers within 30 days or on otherwise specially agreed terms. This was achieved for 86% (2006: 87%) of the value of invoices during the year. At 31 March 2007 trade creditors, excluding accrued invoices, represented 26 days of purchases (2006: 18 days)

7. Disabled employees

LT Scotland has a positive attitude towards the employment of disabled persons, both in recruitment and in provision of suitable working conditions. Our new Headquarters building is of significant benefit in this area.

8. Employee involvement/consultation

The Management of LT Scotland communicates with staff and consults with the representatives of the three recognised Trade Unions. Open meetings were held to discuss major items of general importance and staff information was distributed by way of notices and structured meetings.

9. Environmental Responsibilities and Sustainable Development

The Company takes its environmental responsibilities seriously but has been hampered in the past by the age and condition of the previous extensive Glasgow premises. In addition we have had a lack of usable data in respect of our environmental impact. The move to the new headquarters is in itself a significant step forward in improving our performance in this area and, for example, virtually all Glasgow based staff now use public transport rather than commute by car. We are now monitoring key resource usage and action plans have been put in place to reduce usage now and in the coming year. We are also now reviewing our working practices, including out of office/ home working where appropriate.

Directors' report (continued)

10. Corporate Governance

Board members are appointed by Scottish Ministers, normally for a period of three years. The Board has corporate responsibility for ensuring that LT Scotland fulfils the aims and objectives set in agreement with the Scottish Ministers and has also agreed a Management Statement & Financial Memorandum with the Scottish Executive. This was last updated in March 2006. The Management Statement sets out the broad framework within which LT Scotland should operate and the associated Financial Memorandum sets out in greater detail certain aspects of the required financial arrangements.

The Board is committed to maintaining high standards of corporate governance throughout LT Scotland in line with guidance provided by the Scottish Executive and the United Kingdom Treasury. The Board comprises the Chairman, up to eight other Non-Executive Directors and the Chief Executive. The Non-Executive Directors are considered to be independent of management and have no business or other relationships which could materially influence the exercise of their independent judgement.

Formal induction is carried out for new Board members, involving the Chair, Chief Executive and Company Secretary. Development opportunities are also available to all Board members to ensure that they remain up to date with best practice in corporate governance and other relevant areas.

The Board regularly reviews the major risks to which the company is exposed, in particular those relating to the operations and finances of LT Scotland. The Board is satisfied that appropriate systems are in place to mitigate exposure to these major risks.

The Board critically examines the organisation's strategy, budget and business plan each year and meets at least four times a year to review performance, key business issues and initiatives, including the requirement to maintain reserves sufficient, but not excessive, to allow organisational continuity and flexibility. It also meets residentially each year to discuss strategy and on an ad hoc basis as required. The Chief Executive is responsible for developing and implementing business strategy and processes and for the day-to-day management of the organisation. The Board believes that, together, the Directors possess the breadth of business, financial and educational experience and advice necessary to manage effectively an organisation of the size and complexity of LT Scotland. The Board has delegated certain matters to sub-committees as set out below:

Audit Committee

This committee, chaired during the year by Prof. Douglas Weir, normally meets at least four times per year. It monitors and reviews accounting policies, financial reporting, the systems of internal control, and reviews the annual financial statements before they are presented to the Board. It also considers the organisation's compliance with Scottish Executive and Treasury guidance and oversees the objectivity and effectiveness of internal audit. The Audit Committee can request both auditors and any officers to attend its meetings. Internal and external auditors have direct access to the Audit Committee to raise any matters of concern.

Chair's Committee

This committee, chaired during the year by John Mulgrew, meets on an ad-hoc basis between Board meetings in the event that urgent consideration is required on a particular issue.

Remuneration Committee

This committee, chaired during the year by John Mulgrew, meets as required to consider senior management remuneration and related matters.

11. Auditors

A resolution to reappoint Scott Moncrieff as auditors to the company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors, and signed by

A Gordon
Secretary

B McLeary
Chief Executive

29 August 2007

Remuneration Report

As noted in the Directors' Report, the Remuneration Committee meets as required to consider senior management remuneration and related matters. The members of this committee during the year are shown in the Directors' Report. Details of the remuneration of the directors and senior management in the organisation are given below.

The Chair received remuneration of £10,000 during the year to 31 March 2007 (2006: £10,868). With the exception of the Chief Executive (see below), no other Directors received remuneration in the year to 31 March 2007 (2006: £nil).

During the year the Chief Executive's total emoluments were as follows:

	2007	2006
	£	£
Salary	88,207	84,733
Bonus (in respect of 2004/05)	2,000	-
Employer's Contributions to company's pension schemes	13,760	12,710
Total emoluments	103,967	97,443
Employer's pension contribution - % of basic salary	15.6%	15.0%

Additional details of the emoluments of the company's Senior Managers is required by the Government Financial Reporting Manual ('FRM'). The following information is disclosed.

Name	Age	Salary in the Year	Bonus	Benefits in kind
		£'000	£'000	£'000
B McLeary	55	87.5 – 90.0	2.0	0.6
L O'Donnell	46	60.0 – 62.5	-	0.4
S Ritchie	58	60.0 – 62.5	-	0.6
S Carruth (from 3 July 2006)	41	47.5 – 50.0	-	0.3
A Armstrong (from 5 June 2006)	48	50.0 – 52.5	-	0.3

The charge for the services of Mr S Nott, interim Director of Corporate Services up to June 2006, was invoiced by an external employment agency.

The above figures exclude pension contributions. Laurie O'Donnell was a member of the Scottish Teachers' Superannuation Scheme, paying 6% employee contributions, with the company paying 12.5%. All other individuals named above, other than Mr Nott, were members of the Strathclyde Pension Fund during the year, paying 6% employee contributions, with the company paying 15.6%.

The above individuals do not wish details disclosed regarding the real increase in their pension earned in the year or the value of their accrued pension as at 31 March 2007.

Approved by the Board of Directors, and signed by

B McLeary
Chief Executive

29 August 2007

Statement of accountable officer's responsibilities

The direction from Scottish Ministers requires the Board to prepare financial statements for each financial year which comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ('FReM') which is in force for the year for which the financial statements are prepared. The financial statements should give a true and fair view of the state of affairs of the company as at the end of the financial year and of the surplus or deficit and cash flow of the company for that period.

The Chief Executive is the appointed Accountable Officer responsible for preparing the financial statements and transmitting them to the Auditor of Learning and Teaching Scotland. In preparing those financial statements, the Accountable Officer is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business.

The Accountable Officer has the responsibility for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and comply with the direction from Scottish Ministers. The Accountable Officer also has the responsibility for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors, and signed by

A Gordon
Secretary

29 August 2007

Statement on the system of internal control

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. We now have the procedures in place necessary to implement guidance from Scottish Ministers, with some additional tasks in the coming year to complete the work. This takes account of the time needed to fully embed the processes which we and our outsourced internal auditors have identified and the organisation has agreed need to be made more robust.

We have developed a control strategy for each of the significant risks faced by the organisation. A risk management policy document has been sent to all staff setting out our attitude to risk and to the achievement of objectives.

The organisation's internal auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement. In their 2006/07 Annual Report our internal auditors, KPMG, stated that, based on work done by them, "we are of the opinion that the systems provide an adequate basis for maintaining control and that the control framework provides adequate assurance regarding the effective and efficient achievement of the objectives of LT Scotland".

The Board of Directors and Audit Committee consider risk regularly throughout the year and there has been a full risk and control assessment before reporting on the year ending 31 March 2007. Risk management is incorporated into the corporate planning and decision making processes of the organisation.

The Board of Directors receives regular reports from the chairman of the Audit Committee concerning internal control and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects and programmes. In addition to the actions mentioned above, the organisation has:

- established a framework for all project and programme management;
- reviewed and maintained an organisation-wide risk register, with this now being cascaded down to Departmental level.

Areas still to address

We are now looking to fully embed these agreed procedures throughout the organisation, taking into account the changes arising from our revised remit, updated structures and the new staff and processes now in place. We are also in the process of establishing a more meaningful system of key performance indicators.

I am of the view, taking into account the steps noted above that we still have to take in the coming year, that the systems of internal control, whilst continuing to improve, are currently not fully effective. My view is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

B McLeary
Accountable Officer

29 August 2007

Independent auditors' report to the members of Learning and Teaching Scotland

This report is issued in respect of an audit carried out under section 235 of the Companies Act 1985 and section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005.

We have audited the financial statements of Learning and Teaching Scotland for the year ended 31 March 2007 as set out on pages 9 to 26. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made exclusively to the members, as a body, in accordance with Section 235 of the Companies Act 1985 and to the company's directors, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and its members and directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The responsibilities of the directors for preparing 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 (United Kingdom and Ireland).

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, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether the information given in the Directors' Report is consistent with the financial statements, if the company has not kept proper accounting records, if information specified by law regarding directors' remuneration and transactions with the company is not disclosed, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom 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 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 company's affairs as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended, and;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005, Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and the direction made by the Scottish Ministers under the Educational Development, Research and Services (Scotland) Grant Regulations 1999, and;
- the information given in the Directors' Report is consistent with the financial statements, and;
- In all material respects the income and expenditure have been applied for the purposes intended by Parliament and the financial transactions conform to the regulations and conditions which govern them.

Scott-Moncrieff
Registered Auditors and Chartered Accountants
17 Melville Street
Edinburgh, EH3 7PH

29 August 2007

Notes: An audit does not provide assurance on the maintenance and integrity of the Company's website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Statement of Financial Activities

Year ended 31 March 2007

	Unrestricted Funds	Restricted Funds	Totals 31 March 2007	Totals 31 March 2006
	£	£		£
Incoming resources				
<i>Incoming resources from generated funds</i>				
Other incoming Resources	1,939,385	28,612	1,967,997	2,095,137
<i>Incoming resources from charitable activities</i>				
SEED general activities grant	5,450,000	-	5,450,000	4,955,000
Other government funding	14,940,536	137,315	15,077,851	16,345,248
Other grants	365,760	-	365,760	328,320
Total incoming resources	22,695,681	165,927	22,861,608	23,723,705
Resources Expended				
<i>Cost of generating funds</i>				
Cost of sales	1,327,451	-	1,327,451	1,487,134
<i>Charitable Activities</i>				
Publication and consultancy	3,586,589	6,282	3,592,871	2,401,825
Grants payable	1,380,629	-	1,380,629	2,189,265
Production and other costs	1,460,492	670	1,461,162	1,291,050
Staff costs	8,467,813	-	8,467,813	7,891,379
Voluntary redundancy	448,538	-	448,538	828,710
Staff travel and development	732,854	2,818	735,672	643,035
Conferences and seminars	1,001,834	14,281	1,016,115	936,697
Administration and building expenses	2,258,948	3,056	2,262,004	1,438,367
Promotional expenses	456,095	-	456,095	304,965
Other professional fees	167,372	-	167,372	334,924
Loss on disposal of assets	-	-	-	3,000,000
Other expenditure	705,034	-	705,034	421,507
Other finance costs	(197,000)	-	(197,000)	(17,000)
<i>Governance costs</i>				
Audit fees internal and external	34,279	-	34,279	36,162
Board costs	22,286	-	22,286	8,721
Total resources expended	21,853,214	27,107	21,880,321	23,196,741
Net incoming/(outgoing) resources	842,467	138,820	981,287	526,964
Actuarial gain/ (loss) on net pension liability	2,193,000	-	2,193,000	(97,000)
Reconciliation of funds				
Net movement in funds	3,035,467	138,820	3,174,287	429,964
Fund balances brought forward at 1 April 2006	(3,453,608)	3,201,392	(252,216)	(421,059)
Utilisation of restricted reserves	-	-	-	(20,685)
Reserves released to match depreciation charge	-	(670,611)	(670,611)	(240,436)
Fund balances at 31 March 2007	(418,141)	2,669,601	2,251,460	(252,216)

The statement of accounting policies and notes on pages 15 to 26 form part of these financial statements.

Income and Expenditure Account

Year ended 31 March 2007

		2007	2006
	Note	£	Restated £
Operating Income			
European, Local Authority and Other Grants		365,760	328,320
Own and third party software sales		1,498,787	1,712,758
Royalty and Publications Income		65,171	70,903
Other project income		2,511	40,979
Skills Development income		28,426	83,115
Rental and accommodation services		-	71,523
Miscellaneous income		242,524	29,133
Total operating income		2,203,179	2,336,731
Operating Expenditure			
Cost of Sales			
Own and Third Party Software		1,327,451	1,487,134
Total cost of sales		1,327,451	1,487,134
Staff costs	3	8,467,813	7,891,379
Voluntary redundancy	3	448,538	828,710
Publication and consultancy		3,592,871	2,422,899
Grants payable		1,380,629	2,189,265
Production and other		1,461,162	1,291,050
Staff travel and development		757,958	643,035
Administration and building expenses		2,262,004	1,438,367
Promotional expenses		456,095	304,965
Conferences and seminars		1,016,115	945,418
Depreciation - owned assets	4	31,470	55,260
Depreciation - project funded assets	5	670,611	240,436
Loss on disposal of assets	4	-	3,000,000
Auditors' remuneration		14,490	15,088
Other professional fees		187,161	334,924
Operating lease rentals		2,953	16,935
Total operating expenditure		22,077,321	23,104,865
Operating deficit		(19,874,142)	(20,768,134)
Bank interest received		129,073	83,671
Other finance income/ (costs)		197,000	17,000
Notional cost of capital	6	(34,987)	11,782
Deficit - after interest and notional costs		(19,583,056)	(20,655,681)
Reversal of notional cost of capital		34,987	(11,782)
Deficit transferred to reserves		(19,548,069)	(20,667,463)

All disclosures relate to continuing operations. There is no material difference between the deficit as presented and that derived on a historic basis.

The statement of accounting policies and notes on pages 15 to 26 form part of these financial statements.

Statement of recognised gains and losses

Year ended 31 March 2007

	Unrestricted Funds	Restricted Funds	Total 2007	Total 2006 Restated
	£	£	£	£
Deficit of income versus expenditure	(19,548,069)	-	(19,548,069)	(20,667,463)
Scottish Executive Grant in Aid received	5,450,000	-	5,450,000	4,955,000
Scottish Executive Programme Funding received	14,940,536	-	14,940,536	13,221,079
Actuarial (losses)/ gains on net pension liability	2,193,000	-	2,193,000	(97,000)
Net additions in respect of project funded assets	-	137,315	137,315	3,015,294
Net transfer to/ (from) restricted reserves in respect of funds managed	-	1,505	1,505	(17,631)
Transferred (from) restricted reserves in respect of project funded assets	-	(670,611)	(670,611)	(240,436)
Total recognised gains and losses relating to the year	3,035,467	(531,791)	2,503,676	168,843
Opening capital and reserves	(3,453,608)	3,201,392	(252,216)	(421,059)
Closing capital and reserves	(418,141)	2,669,601	2,251,460	(252,216)

The statement of accounting policies and notes on pages 15 to 26 form part of these financial statements.

Balance sheet

31 March 2007

	Note	31 March 2007 £	31 March 2006 £
Fixed assets			
Owned Tangible Assets	4	68,141	41,999
Project Funded Tangible Assets	5	<u>2,599,510</u>	<u>3,132,806</u>
		2,667,651	3,174,805
Current assets			
Stocks	7	46,210	44,290
Debtors	8	2,505,489	3,434,850
Cash at bank and in hand		6,266,960	4,605,540
		<u>8,818,659</u>	<u>8,084,680</u>
Creditors: amounts falling due within one year	9	(5,447,558)	(5,368,296)
Provisions: amounts falling due within one year	9	(928,292)	(628,405)
		<u>2,442,809</u>	<u>2,087,979</u>
Net current assets		2,442,809	2,087,979
Total assets less current liabilities		5,110,460	5,262,784
NET ASSETS excluding pensions (liability)		5,110,460	5,262,784
Creditors: amounts falling due after more than one year			
Provisions for liabilities and charges:			
Pensions (liability)	10	<u>(2,859,000)</u>	<u>(5,515,000)</u>
NET ASSETS including pensions (liability)		<u>2,251,460</u>	<u>(252,216)</u>
<i>Represented by:</i>			
RESERVES			
Restricted reserve for project funded assets	11	2,599,510	3,132,806
Unrestricted general reserve	12	2,440,859	423,607
Unrestricted pension reserves	12	(2,859,000)	(3,877,215)
Restricted reserves	12	70,091	68,586
		<u>2,251,460</u>	<u>(252,216)</u>

These financial statements were approved by the Board on 29 August 2007

J Mulgrew
Director

B McLeary
Chief Executive

The statement of accounting policies and notes on pages 15 to 26 form part of these financial statements.

Cash flow statement

Year ended 31 March 2007

	Notes to cash flow statement	2007 £	2006 £ Restated
Net cash (outflow)/inflow from operating activities	1	(18,800,577)	(17,792,139)
Returns on investment and servicing of finance	2.1	129,073	83,671
Capital expenditure and financial investment	2.2	(57,612)	(15,155)
Government funding received	2.3	20,390,536	18,176,079
		<hr/>	<hr/>
Net cash inflow		1,661,420	452,456
Net funds brought forward at 1 April 2006		<hr/> 4,605,540	<hr/> 4,153,084
Net funds at 31 March 2007		<hr/> 6,266,960	<hr/> 4,605,540

The statement of accounting policies and notes on pages 15 to 26 form part of these financial statements.

Notes to the cash flow statement

Year ended 31 March 2007

1 Reconciliation of operating deficit to net cash (outflow)/inflow from operating activities	2007	2006
	£	£ Restated
Operating deficit	(19,874,142)	(20,768,134)
Depreciation – owned assets	31,470	55,260
Depreciation – project funded assets	670,611	240,436
Disposal of owned fixed assets	-	3,063,509
(Increase) in stock	(1,920)	(17,174)
Decrease/ (Increase) in debtors	929,361	(2,234,640)
(Decrease)/ increase in creditors/ provisions	379,149	2,013,671
Increase/ (Decrease) in restricted reserves	1,505	(17,631)
FRS 17 Pensions adjustments	(266,000)	113,000
Amortisation of reserve in respect of project funded assets	(670,611)	(240,436)
Net cash(outflow) from operating activities	<u>(18,800,577)</u>	<u>(17,792,139)</u>
2 Gross cash flow		
2.1 Returns on investment and servicing of finance		
Interest received	<u>129,073</u>	<u>83,671</u>
	<u>129,073</u>	<u>83,671</u>
2.2 Capital expenditure and financial investment		
Payments to acquire owned fixed assets (note 4)	(57,612)	(15,155)
Payments to acquire project funded fixed assets (note 5)	(137,315)	(3,124,170)
Receipts relative to project funded assets	<u>137,315</u>	<u>3,124,170</u>
	<u>(57,612)</u>	<u>(15,155)</u>
2.3 Government funding received		
<i>Scottish Executive core grant in aid (note 12)</i>	5,450,000	4,955,000
<i>Other government programme and project funding (note 12)</i>	14,940,536	13,221,079
	<u>20,390,536</u>	<u>18,176,079</u>

Notes to the financial statements

Year ended 31 March 2007

1 Accounting Policies

Basis of Preparation

The financial statements are prepared in accordance with the financial statements direction issued by Scottish Ministers (in accordance with paragraph 4 of the Educational Development, Research & Services (Scotland) Grant Regulations 1999), the Government Financial Reporting Manual ('FReM'), and with generally accepted accounting practice in the UK, including United Kingdom accounting standards and the Charities SORP, to the extent that it is meaningful and appropriate in the public sector context.

The particular accounting policies adopted are described below.

Accounting Convention

The financial statements have been prepared under the historical cost convention, modified to include revaluations to certain fixed assets.

Grants

Grants relating to tangible fixed assets are treated as deferred income and released to the income and expenditure account over the expected useful lives of the assets concerned. As required under the provisions of the Government Financial Reporting Manual ('FReM'), other grant in aid and educational programme and project funding received from government is treated as a financing flow instead of income. These funds are credited to the income and expenditure reserve as the related expenditure is incurred.

Other grants are credited to the income and expenditure account as the related expenditure is incurred.

Tangible fixed assets

Depreciation is provided on all fixed assets at rates calculated to write off their cost or valuation in annual instalments over their effective lives as follows:

Leasehold improvements	Over life of lease
Property renovations	15 years
Fixtures and fittings	10 years
Office equipment	5 years
Computer equipment	3 years

The company also uses assets funded by external bodies, generally the Scottish Executive Education Department (SEED). These assets, used for specific projects, are classed as Project funded assets. As shown in Note 11, a restricted reserve is designated and amortised to the income and expenditure account over the effective lives of these assets in accordance with their write-off policy.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Research and development

Research and development expenditure is written off to the income and expenditure account as incurred.

Leases and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to the company, are capitalised and depreciated over the term of the lease or contract. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease or contract and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the income and expenditure account in equal annual amounts over the lease term.

Notes to the financial statements

Year ended 31 March 2007 (continued)

1 Accounting Policies (continued)

Notional costs

In accordance with accounting requirements laid down by the Financial Reporting Advisory Board, the Income and Expenditure Account includes notional costs where this is necessary to disclose the full cost of the company's activities. The calculation of notional costs of capital is explained in note 6.

Pensions

The majority of employees of LT Scotland participate in the Strathclyde Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Fund operates in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended.

The company accounts for defined benefit pensions in accordance with the requirements of FRS17.

The company also has a number of employees, formerly teachers, participating in the Scottish Teachers' Superannuation Scheme. This is a notionally funded defined benefit scheme and, as such, is accounted for under defined contribution rules.

Income

Operating income represents the amounts derived from the provision of services that fall within the company's ordinary activities, stated net of VAT.

As required under the provisions of the FReM, grant in aid and educational programme and project funding received from government is treated as a financing flow instead of income. These funds are credited to the income and expenditure reserve.

Allocation of Expenditure

Expenditure is allocated to the various cost headings set out in the Statement of Financial Activities and the Income and Expenditure Account, with this allocation consistent between accounting periods.

2 Directors and their interests

Due to the nature of the company's operations and the composition of its Board of Directors it is inevitable that transactions will take place with companies or organisations in which a Director will have an interest. All transactions involving organisations in which a Director may have an interest are conducted at arm's length. Directors are not permitted to participate in discussions or decisions on transactions involving their organisations.

The most appropriate measure of our overall activity in the year is our operating expenditure. The total value of the following sales transactions represented 0.27% per cent of this figure during the year.

The total value of the following purchase transactions represented 1.04% of the company's operating expenditure during the year.

Notes to the financial statements

Year ended 31 March 2007 (continued)

2 Directors and their interests (continued)

Transactions for the year to 31 March 2007 and balances outstanding as at 31 March 2007 with organisations in which Directors have an interest are noted below:

Name	Company	Position Held	Sales		Purchases	Purchase	
			Balances Over £1,000 £	Balances Over £1,000 £		Balances over £1,000 £	Balances over £1,000 £
Ray Harris	Telford College	Principal	-	-	66	-	-
	Forth Valley College	Other interest	-	-	-	-	-
Kay Livingston	University of Aberdeen	Director	95	-	17,690	11,926	-
	- Scottish Teachers for a New Era	Editor	-	-	-	-	-
	European Journal of Teacher Education Applied Educational Research Scheme	Other Interest	-	-	-	-	-
Bernard McLeary	No notifiable interests		-	-	-	-	-
Iris McMillan	NISUS Scotland Ltd	Board Member	-	-	-	-	-
	Training for Care Ltd	Director	-	-	-	-	-
	Office of the Scottish Charity Regulator	Board Member	-	-	-	-	-
John Mitchell	Scottish Qualifications Authority (SQA)	Board member	40,583	-	84,614	-	-
John Mulgrew	Tapestry Partnership	Board Member	12,477	9,535	9,515	-	-
Graeme Ogilvie	Construction Skills Scotland	Director	-	-	-	-	-
	Scottish Construction Forum – Workforce Development Group	Chairman	-	-	-	-	-
Fraser Sanderson	Dumfries and Galloway Council	Director of Education and Community Services	290	-	111,085	49,651	-
	General Teaching Council of Scotland	Council Member	-	-	-	-	-
	Dumfries and Galloway College	Council Member	3,525	-	226	-	-
Douglas Weir	No notifiable interests		-	-	-	-	-
Totals			56,970	9,535	223,196	61,577	

Notes to the financial statements

Year ended 31 March 2007 (continued)

3. Staff costs	2007	2006
	£	£
The average weekly number of persons employed by the company during the year was 182 (2006: 201).		
Staff costs comprised:		
Wages and salaries	4,891,710	4,901,618
Social security costs	431,085	418,473
Pension and early retirement costs	355,517	737,169
Staff on secondment and temporary or contract personnel	2,789,500	1,834,119
	8,467,813	7,891,379
Pension and early retirement costs can be analysed as follows:		
Regular pension costs	(10,483)	44,169
FRS17 Current Service Cost	671,000	615,000
FRS17 Past Service Cost	(305,000)	78,000
	355,517	737,169
Voluntary Redundancy	448,538	828,710

These costs were principally incurred in respect of 21 staff who left the company in the year prior to 31 March 2007 or shortly thereafter (2006: 27 staff) under the terms of a voluntary severance scheme.

Seconded Staff

In addition to the staff employed noted above, the company makes use of the services of a number of education professionals seconded from external bodies, generally Education Authorities. 59 individuals were working for LT Scotland under these secondment arrangements at 31 March 2007 (2006: 35)

Pension scheme members

Within the 183 employees as at 31 March 2007 (2006: 200), 103 (2006: 126) employees were members of the Strathclyde Pension Scheme with a further 24 (2006: 22) being members of the Scottish Teachers' Superannuation Scheme.

Senior staff salaries

The following number of senior employees received remuneration in excess of £60,000, including employer's pension contributions, during the year within the range below:

	2007	2006
	No.	No.
£60,001 - £70,000	1	-
£70,001 - £80,000	1	-
£90,001 - £100,000	-	1
£100,000 - £110,000	1	-

Notes to the financial statements

Year ended 31 March 2007 (continued)

4 Tangible fixed assets - owned

	Computer Equipment	Office Equipment & Fixtures	Total
	£	£	£
Cost or valuation			
As at 1 April 2006	57,621	18,923	76,544
Additions	40,013	17,599	57,612
Disposals	-	-	-
As at 31 March 2007	97,634	36,522	134,156
Accumulated depreciation			
As at 1 April 2006	28,198	6,347	34,545
Charge for year	27,251	4,219	31,470
Disposals	-	-	-
As at 31 March 2007	55,449	10,566	66,015
Net book value			
As at 31 March 2007	42,185	25,955	68,141
As at 31 March 2006	29,423	12,576	41,999

As noted in our financial statements last year the Company sold its previous headquarters in Victoria Crescent Road, Glasgow, for a total sale price of £10,750,000 .

The Scottish Executive reserve the right to retain capital proceeds and required that the entire proceeds on this sale were remitted to them, less £1,800,000 to be retained by the Company as an advance payment against our Core Grant for the year ending 31 March 2007.

We vacated the premises on 10 March 2006 and the agreed sum of £8,950,000 was remitted to the Executive at that time. We retained the balance of £1,800,000 less the amount of £100,000 which has been held by the buyer's solicitors pending an agreed quantification of the cost of removing certain moveable items left on site by us on departure. The Directors are confident that we will recover the bulk of these remaining monies although this matter is now the subject of a dispute with the purchasers.

These premises had been valued at £3,000,000 and, with the proceeds being remitted to the Scottish Executive, the company recorded a loss of £3,000,000 on this transaction. This was recorded in last year's financial statements.

No assets were held under hire purchase contracts during the year.

Notes to the financial statements

Year ended 31 March 2007 (continued)

5 Tangible fixed assets – project funded

	Leasehold Improvements £	Computer Equipment £	Office Equipment & Fixtures £	Total £
Cost				
As at 1 April 2006	1,346,115	1,361,238	721,084	3,428,437
Additions	19,186	99,017	19,112	137,315
Disposals	-	-	-	-
As at 31 March 2007	1,365,301	1,460,255	740,196	3,565,752
Depreciation				
As at 1 April 2006	25,358	253,958	16,315	295,631
Charge for year	91,188	470,403	109,020	670,611
Disposals	-	-	-	-
As at 31 March 2007	116,546	724,361	125,335	966,242
Net book value				
As at 31 March 2007	1,248,755	735,894	614,861	2,599,510
As at 31 March 2006	1,320,757	1,107,280	704,769	3,132,806

The balances noted above relate principally to the investment in the Company's new Glasgow Headquarters over which a 15 year lease was entered into in September 2005.

6 Cost of capital

	2007	2006
	£	£
Notional interest has been charged on the capital employed of the company as at 31 March 2007 at the rate of 3.5% (2006: 3.5%) as follows:		
Net Assets as at 1 April 2006	(252,216)	(421,059)
Net Assets as at 31 March 2007	2,251,460	(252,216)
Average balance	999,622	(336,638)
Notional Interest at 3.5% pa, (2006: 3.5%) apportioned over year	34,987	(11,782)

7	Stocks	2007	2006
		£	£
	General stocks	46,210	44,290

Notes to the financial statements

Year ended 31 March 2007 (continued)

8 Debtors	2007	2006
	£	£
Trade Debtors	2,159,448	3,014,742
Prepayments and Accrued Income	304,178	370,108
Other Debtors	41,863	50,000
	2,505,489	3,434,850
9 Creditors: Amounts falling due within one year	2007	2006
	£	£
Trade creditors	2,846,884	1,637,335
Other taxation & social security	150,714	143,548
Accruals	1,775,168	911,903
Other Creditors	22,544	123,641
Deferred Project Income	652,248	2,551,869
	5,447,558	5,368,296
Provisions: Amounts falling due within one year	2007	2006
	£	£
Provision for Voluntary Redundancy	218,292	628,405
Provision for Property Management Charges payable	130,000	-
Provision for Property Rentals payable	580,000	-
	928,292	628,405

The provision for voluntary redundancy relates to amounts payable to staff leaving the company shortly after the year end under the terms of the voluntary severance scheme, as shown in Note 3. The provision for property management charges relates to amounts provided in respect of the Optima premises. These are currently being paid by the Scottish Executive on our behalf, with a view to an eventual recharge to LT Scotland. The provision for property rentals payable is as described in Note 13.

10. Pension Liability	2007	2006
	£	£
At 1 April 2006	(5,515,000)	(5,322,000)
Contributions	538,000	480,000
Contributions in respect of unfunded benefits	94,000	100,000
Current Service Costs	(671,000)	(615,000)
Past Service Costs	305,000	(78,000)
Net Return on Assets	197,000	17,000
Actuarial Gains/(Losses)	2,193,000	(97,000)
At 31 March 2007	(2,859,000)	(5,515,000)

The pension liability relates to obligations in respect of the Strathclyde Pension Fund as described in Note 17.

Notes to the financial statements

Year ended 31 March 2007 (continued)

11. Restricted reserve for project funded assets	2007	2006
	£	£
At 1 April 2006	3,132,806	357,948
Additions for the year	137,315	3,124,170
Disposals for the year	-	(108,876)
Released to match depreciation charge	(670,611)	(240,436)
At 31 March 2007	<u>2,599,510</u>	<u>3,132,806</u>

12. Reserves	General	Pension	Totals	Totals
	Reserve	Reserve	2007	2006
	£	£	£	£
(i) Unrestricted Reserves				
As at 1 April 2006	423,607	(3,877,215)	(3,453,608)	(865,224)
Movement on pension reserve (note 17)	-	2,193,000	2,193,000	(97,000)
Deficit for the year	(19,548,069)	-	(19,548,069)	(20,667,463)
Transfer between General and Pension reserves	1,174,785	(1,174,785)	-	-
Government Funding Received	20,390,536	-	20,390,536	18,176,079
As at 31 March 2007	<u>2,440,859</u>	<u>(2,859,000)</u>	<u>(418,141)</u>	<u>(3,453,608)</u>
			2007	2006
			£	£
(ii) Restricted Reserves				
As at 1 April 2006			68,586	86,217
Net receipts/ (expenditure) in the year			1,505	(17,631)
As at 31 March 2007			<u>70,091</u>	<u>68,586</u>

These restricted reserves relate to funds held on behalf of other bodies for specified educational purposes. The bodies are the Gordon Cook Foundation and the IDES Network.

13. Financial Commitments

LT Scotland has entered into a three month rolling tenancy agreement in respect of its premises at Gardyne Road, Dundee. The annual charge for these premises is approximately £125,000 although it is likely that LT Scotland will move to a different location in Dundee in the coming financial year.

The Scottish Executive entered into a 15 year lease in September 2005 with the owners of the Optima Building in Glasgow and has sub leased part of that accommodation to LT Scotland. We have benefited from a rent free period for these premises but have provided £580,000 this year (2006: £nil) to reflect the equalisation of the normal rental payable back into the rent free period.

Notes to the financial statements

Year ended 31 March 2007 (continued)

14. Share capital

The company is limited by guarantee and therefore has no share capital.

15. Related Party Transactions

LT Scotland is an executive non-departmental public body, sponsored by the Scottish Executive Education Department (SEED) which is regarded as a related party. During the period, LT Scotland has had various material transactions with SEED.

Funding received from SEED during the year amounted to £ 19,005,035 (2006: £18,176,079). The amount included in trade debtors at 31 March 2007 was £1,487,828 (2006: £2,492,207).

Note 9 to the financial statements, regarding creditors payable within one year, includes a figure of £652,248 (2006: £2,551,869) relating to deferred project income. Of this figure, £537,938 (2006: £2,467,954) related to SEED at 31 March 2007. As shown in Note 4, £nil of this deferred income relates to an advance payment against Core Grant for the next financial year (2006: £1,800,000)

16. Disclosure of Grants Received

LT Scotland received various cash grants during the year to 31 March 2007 as contributions towards the cost of activities. The receipts from the Scottish Executive's Special Education Needs Innovation Grants Programme to carry out work on the Inclusive Education Online Resource project are acknowledged and noted below.

Grants were also received from the Department for International Development to carry out work, expended in accordance with agreed terms, on Global Dimension in the Curriculum and these are also acknowledged and noted below.

Project Income & Expenditure in the year to 31 March 2007	Inclusive Education	Global Dimension in the Curriculum
	£	£
Funding Received to cover direct costs and overheads	176,425	26,608

Annual grant in aid received from the Scottish Executive Education Department of £5,450,000 (2006: £4,955,000) is in respect of current revenue expenditure and the amount carried forward at the year end is £Nil (2006: £Nil).

17. Pension Scheme – FRS 17 Disclosures

As detailed in Note 1, the company participates in the Strathclyde Pension Fund, part of the Local Government Pension Scheme, a defined benefit scheme. The levels of contribution paid to the Fund by LT Scotland in recent years have been as follows:

<u>Year to 31 March</u>	
2002	12.6% of salary costs
2003	13.2% of salary costs
2004	13.8% of salary costs
2005	14.4% of salary costs
2006	15.0% of salary costs
2007	15.6% of salary costs

Employee pension contributions have remained unchanged at 6% throughout the above period. In the year ending 31 March 2008 the company is paying 16.2% of salary costs with a further planned increase of 0.6% for the year ending 31 March 2009.

Notes to the financial statements

Year ended 31 March 2007 (continued)

17. Pension Scheme – FRS 17 Disclosures (continued)

The balance sheet position for the company's share of the scheme as calculated by an independent actuary under the provisions of FRS 17 as at 31 March 2006 was as follows:

	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Fair value of assets	25,921	24,030	17,147	14,906
Present value of scheme liabilities	(27,250)	(27,827)	(20,965)	(18,758)
Present value of unfunded liabilities	(1,530)	(1,718)	(1,504)	(1,428)
Net Pension Liability	(2,859)	(5,515)	(5,322)	(5,280)

No deferred tax asset would arise on the net pension liability as the company is not liable to pay tax due to its charitable status.

LT Scotland's estimated share of the assets in this Scheme and the expected rates of return at 31 March 2007 were: -

	2007 Long Term Return	2007 Value £000	2006 Long Term Return	2006 Value £000	2005 Long Term Return	2005 Value £000
Equities	7.8%	19,024	7.4%	18,272	7.7%	12,669
Bonds	4.9%	3,178	4.6%	2,468	4.8%	2,292
Property	5.8%	2,585	5.5%	2,183	5.7%	1,641
Cash	4.9%	1,134	4.6%	1,107	4.8%	545
Total market value of assets		25,921		24,030		17,147

The liabilities of the scheme at 31 March 2007 were calculated on the basis of the following assumptions

	2007	2006	2005
Salary increases	4.7%	4.6%	4.4%
Pension increases	3.2%	3.1%	2.9%
Discount Rate	5.4%	4.9%	5.4%
Price increases	3.2%	3.1%	2.9%

Analysis of amount charged to operating surplus/ (deficit):

	2007 £000	% of Payroll	2006 £000	% of Payroll	2005 £000	% of Payroll
Current service costs	671	23.3%	615	19.2%	584	18.6%
Past services costs	(305)	(10.6%)	78	2.4%	43	1.4%
Net service costs	366	12.7%	693	21.6%	627	20.0%

Analysis of amount credited to other finance income:

	2007 £000	% of Payroll	2006 £000	% of Payroll	2005 £000	% of Payroll
Expected return on pension scheme assets	1,644	57.0%	1,326	41.3%	1,075	34.3%
Interest on pension scheme liabilities	(1,447)	(50.2%)	(1,309)	(40.8)%	(1,128)	(35.9)%
Net interest	197	6.8%	17	0.5%	(53)	(1.6)%

Notes to the financial statements

Year ended 31 March 2007 (continued)

17. Pension Scheme – FRS 17 Disclosures (continued)

Analysis of the actuarial gain/ (loss) recognised in the SRGL (page 11):

	2007 £'000	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	20	3,804	570
Experience (losses)/ gains arising on scheme liabilities	146	(36)	(52)
Changes in assumptions underlying the present value of scheme liabilities	2,027	(3,865)	(432)
	<u>2,193</u>	<u>(97)</u>	<u>86</u>

Actuarial gains shown in the SRGL

Movement in scheme deficit during year

	2007 £'000	2006 £'000	2005 £'000
Deficit at 1 April 2006	(5,515)	(5,322)	(5,280)
Movement in year:			
Current service cost	(671)	(615)	(584)
Contributions	632	580	552
Past service cost	305	(78)	(43)
Net finance income	197	17	(53)
Actuarial gains	2,193	(97)	86
(Deficit) at 31 March 2007	<u>(2,859)</u>	<u>(5,515)</u>	<u>(5,322)</u>

The above deficit of £ 2,859,000 as at 31 March 2007 (2006: £5,515,000) includes the estimated present value of unfunded early retirement liabilities in respect of former employees of £1,530,000 (2006: £1,718,000).

History of experience gains and losses:

	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on assets	20	3,804	570	2,146
Value of assets	25,921	24,030	17,147	14,906
Percentage of assets	0.1%	15.8%	3.3%	14.4%
Experience (losses)/gains on liabilities	146	(36)	(52)	17
Total present value of liabilities	28,780	29,545	22,469	20,186
Percentage of the total present value of liabilities	0.5%	(0.1%)	(0.2%)	0.1%
Actuarial (losses)/ gains recognised in the SRGL	2,193	(97)	86	1,002
Total present value of liabilities	28,780	29,545	22,469	20,186
Percentage of the total present value of liabilities	7.6%	(0.3%)	0.4%	5.0%

Analysis of projected amount to be charged to operating profit for the year to 31 March 2008

	Year to 31 March 2008	
	£'000	% of Payroll
Projected amount charged to operating profit:		
Estimated current service cost	591	20.5%
Past service costs	-	-
Total operating charge (A)	<u>591</u>	<u>20.5%</u>

Notes to the financial statements

Year ended 31 March 2007 (continued)

17 Pension Scheme – FRS 17 Disclosures (continued)

Projected amount credited to other finance income:

Expected return on employer assets	1,850	64.1%
Interest on pension scheme liabilities	(1,559)	(54.0%)
Net return (B)	291	10.1%

Estimated net revenue account cost (A) – (B)	300	10.4%
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18. Post Balance Sheet Events

Establishment of Subsidiary Company

A new company, Macrocom (968) Limited, was formed at the company's request and was incorporated on 9 March 2007. Learning and Teaching Scotland formally acquired its 100% controlling interest in this company on 8 May 2007. The company has 100 £1 ordinary shares, all held by Learning and Teaching Scotland.

This company has been formed with a view to pursue commercial educational activities in the future. The company will remain dormant and will not trade until such time as these activities commence.

19. Prior Year Adjustment

The company policy for accounting for government grant in aid and programme and project funding was changed during the year to take account of the requirements of the Government Financial Reporting Manual ('FReM'). In previous years government funding received had been disclosed as income in the financial statements. This funding is now shown as a financing flow and is credited to the income and expenditure reserve. While this change has no effect on our reported year end balance sheet figures, it does impact the income and expenditure account and related notes.

The comparative figures in the primary statements and notes have been restated to reflect the new policy. The effects of the change in policy are summarised below:

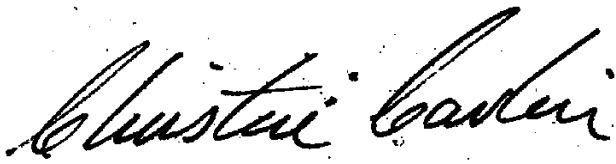
<u>Income and Expenditure Account</u>	2006 £'000
Income for the year to 31 March 2006 as previously stated	20,513
Less government funding received	<u>(18,176)</u>
Income as restated	2,337
Deficit for the year to 31 March 2006 as previously stated	(2,491)
Less government funding received	<u>(18,176)</u>
Deficit as restated	(20,667)



LEARNING AND TEACHING SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 4 the Educational Development, Research and Services (Scotland) Grant Regulations, 1999 (SI 1999/65), hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 25 September 2002 is hereby revoked.



Signed by the authority of the Scottish Ministers

Dated 14 December 2005