



Learning and Teaching Scotland

(Limited by Guarantee and not having a Share Capital)

Report and Financial Statements

Year ended
31 March 2009

*Registered in Scotland, number SC200241
Recognised as a Scottish 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 2008/09 Annual Review details the activities carried out in the year to 31 March 2009.

The 2009/10 Annual Business Plan is also available on this website.

Directors' report

| Directors | | Appointed Until |
|--|----------|-----------------|
| Mr John Mulgrew OBE (<i>Chair</i>) | (2), (3) | 31 March 2010 |
| Mr Bernard McLeary, (<i>Chief Executive</i>) | (3) | |
| Mr Graeme Ogilvy | (1), (2) | 30 June 2010 |
| Prof. Douglas Weir | (1), (3) | 31 July 2009 |
| Prof. James Conroy | (3) | 31 August 2010 |
| Mrs Carole Ford | (2), (3) | 31 August 2010 |
| Mrs Louise Hayward | (2) | 31 August 2011 |
| Ms Jacqueline Hepburn | (1), (2) | 31 August 2011 |
| Mr Iain Nisbet | (1) | 31 July 2011 |

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

Corporate Management Team

| | |
|---------------------|-------------------------------------|
| Mr Bernard McLeary | Chief Executive |
| Mr Stuart Ritchie | Director of Curriculum |
| Mr Alan Armstrong | Director of Education Improvement |
| Mr Laurie O'Donnell | Director of Learning and Technology |
| Mr Stewart Carruth | Director of Corporate Services |

Company Secretary

Mr Alistair Gordon

Headquarters and Registered Office

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

Offices also at City House, Dundee, DD1 1UF with our Distribution Centre at 7 Tom Johnston Road, Dundee, DD4 8XD.

Auditors

Scott Moncrieff Chartered Accountants, 17 Melville Street, Edinburgh EH3 7PH (on behalf of the Auditor General for Scotland)

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 2009.

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 (see also Note 19 to the accounts), 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 Government 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 Government. 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

Our Role in Scottish Education

Working closely with the Scottish Government, we have a unique role in supporting and delivering education priorities which contribute to the objective of creating a Smarter Scotland. LT Scotland provides advice, support, resources and staff development to the education community, creating a culture of innovation, ambition and excellence throughout Scottish education.

Directors' report (continued)

4. Operating and Financial Review (continued)

What we accomplished in the year

Our main focus has been leading and supporting national developments such as Curriculum for Excellence, Glow and International Education, in partnership with local authorities, SQA, HMIE and other stakeholders across the education sector.

High levels of engagement and consultation by our teams across education, business and voluntary sectors have been key in ensuring that there is awareness and involvement in the transformational change occurring in Scotland's education system.

Our four specific educational programmes in the year were:

Curriculum and Assessment, including Curriculum for Excellence
 Targetted Support for Education
 Glow
 Schools ICT

Our key achievements in the year included:

Curriculum for Excellence aims to achieve a transformation in education in Scotland by providing a coherent, enriched and more flexible curriculum from 3 to 18, firmly focused on the needs of the child and young person – in the year LT Scotland, with other key partners, developed and published the Experiences and Outcomes which are an essential component of Scotland's new curriculum and apply wherever learning is planned. They signpost progression in learning and set challenging standards that will equip young people to meet the challenges of the 21st century.

Glow is the Scottish Schools Intranet, managed by LT Scotland on behalf of the Scottish Government. All 32 of the Scottish local authorities are now engaged with Glow. Roll out, uptake and usage of Glow is now well underway across the country with almost two million user log-ins to this key educational resource by the end of the year.

Our Plans for Next Year

We are taking our core programme of work forward into 2009/10 with an emphasis on further embedding of Curriculum for Excellence in Scottish Schools. We are also looking to ensure further take up and use of the Glow intranet and its embedded educational resources by teachers, pupils, parents and others in the education community.

The Scottish Government is currently carrying out a review into the role of LT Scotland to consider if our existing structures are suitable to deliver the functions and tasks that need to be carried out to support Scottish education. We are looking to have our role, and core programme of work, confirmed as an outcome of this review.

Scottish Government Funding and Financial Results

LT Scotland received Core Grant in aid in the year of £7,823,000 (2008: £5,950,000) and, in addition, received government funding for specific educational programmes and projects amounting to £11,530,446 (2008: £15,215,744). 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. Accordingly LT Scotland's income and expenditure account shows a deficit for the year of £17,760,752 (2008: deficit of £19,565,827). This has been transferred to the General Reserve. The results for the year were impacted by the following factors:

Operational Issues

Our fit for purpose Headquarters in Glasgow provides excellent working conditions and visibility of LT Scotland. In the previous year we also relocated from our Dundee office in Gardyne Road to a new Distribution Centre and also, temporarily, to office accommodation in central Dundee.

We have used a voluntary severance scheme in the year to allow us to reprofile the skill sets of our front line educational staff. This will assist in the achievement of our educational priorities.

Directors' report (continued)

4. Operating and Financial Review (continued)

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 Note 20 to the accounts, the balance sheet showed a Strathclyde Pension Fund liability of £12,000 at 31 March 2008. The equivalent figures at 31 March 2009 show the liability significantly increased to £2,757,000. The market uncertainties in the year just ended have significantly reduced the value of our share of the Fund assets. Our pension fund deficit has therefore returned to a level similar to the £2,859,000 figure at 31 March 2007. This demonstrates the volatility of our reported results to external factors.

5. Payment of suppliers

LT Scotland has generally paid suppliers within 30 days or on otherwise specially agreed terms. We are now moving to paying suppliers more promptly, in line with the Scottish Government's 3 December 2008 prompt payment initiative which aspires to payment of suppliers within 10 days. It took us an average 28 days from invoice date to pay each supplier invoice in the year (2008: 31 days). This improved 28 day figure is unchanged between the period to November 2008 and the four months to March 2009. At 31 March 2009 trade creditors, excluding accrued invoices, represented 16 days of purchases (2008: 25 days)

6. 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 fit for purpose Headquarters building is of significant benefit in this area.

7. Employee involvement/consultation and wellbeing

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.

Staff absence through sickness is now closely monitored by the Company so that support can be offered to affected staff. Average working days of absence through sickness were 3.8 in the year per employee (2008: 3.1 days)

8. Environmental Responsibilities, Sustainable Development and Data Handling

The Company takes its environmental responsibilities seriously. The move to the Glasgow headquarters was in itself a significant step forward in improving our performance and environmental impact and, for example, virtually all Glasgow based staff use public transport rather than commute by car. We monitor 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.

The Company is now taking part in the Information Assurance initiatives being led by the United Kingdom and Scottish Governments. The Company has had no reported personal data losses/ personal data related incidents in the year (2008: nil).

9. 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 Government. 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 key 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 Government 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.

Directors' report (continued)

9. Corporate Governance (continued)

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 Government 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.

Remuneration Committee

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

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.

10. Auditors

The Auditor General for Scotland is responsible, as from 6 April 2008, for the appointment of the Company's auditors and has appointed Scott-Moncrieff to carry out our audit for the periods up to 31 March 2011.

Approved by the Board of Directors, and signed by

A Gordon
Secretary

B McLeary
Chief Executive

19 August 2009

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 remuneration for the Chief Executive and senior managers is set such that they are paid a competitive salary in relation to the market, taking into account the responsibilities of their position and Scottish Government pay policy.

The Chair received remuneration of £10,000 during the year to 31 March 2009 (2008: £10,000). With the exception of the Chief Executive (see below), no other Directors received remuneration in the year to 31 March 2009 (2008: £nil).

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

| | 2009 | 2008 |
|---|-------------|-------------|
| | £ | £ |
| Salary for the year | 100,757 | 88,781 |
| Backdated award June 2007 to March 2008 | 6,973 | - |
| Bonus (in respect of 2006/07) | 3,500 | - |
| Bonus (in respect of 2005/06) | - | 3,500 |
| Employer's Contributions to company's pension schemes | 18,099 | 14,383 |
| Total emoluments | 129,329 | 106,664 |
| Employer's pension contribution - % of basic salary | 16.8% | 16.2% |

Additional details of the emoluments of the company's Senior Managers are 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 | 57 | 107.5 – 110.0 | 3.5 | - |
| S Ritchie | 60 | 62.5 – 65.0 | 0.7 | - |
| A Armstrong | 50 | 62.5 – 65.0 | 0.7 | - |
| L O'Donnell | 48 | 62.5 – 65.0 | 0.7 | - |
| S Carruth | 43 | 65.0 – 67.5 | 0.7 | - |

The above figures exclude pension contributions. Laurie O'Donnell was a member of the Scottish Teachers' Superannuation Scheme, paying 6.4% employee contributions, with the company paying 13.5%. All other individuals named above were members of the Strathclyde Pension Fund during the year, paying 6% employee contributions, with the company paying 16.8%.

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 2009.

The Chief Executive's contract sets out that six months notice of termination must be given either by the individual or the company. For the other senior managers above the equivalent notice of termination is twelve weeks.

It should be noted that all salary related figures shown above have been subject to external audit.

Approved by the Board of Directors, and signed by

B McLeary
Chief Executive

19 August 2009

Statement on the system of internal control

Scope of responsibility

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 Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's strategic aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

Our risk and control framework

The LT Scotland risk management policy is summarised as follows:

LT Scotland has a Risk Management Policy, approved by the Board of Directors, which sets out our attitude to risk and our approach to managing the potential barriers to the achievement of our objectives. The risk and internal control processes are integrated with our performance management framework highlighting the alignment to achieving the key business objectives. The policy and associated procedural guidance are available to all staff on the LT Scotland intranet and is included in the staff induction process.

A Corporate Risk Register has been established to consider those risks that impact the organisation as a whole, and are likely to affect the organisation's ability to achieve its strategic goals and objectives. The register is reviewed and discussed by the Corporate Management Team on a quarterly basis, including consideration of progress on agreed actions to manage the risks.

Each Directorate within LT Scotland is responsible for maintaining a system of risk management consistent with corporate risk arrangements, and designed to enable it to deliver its business objectives in an efficient and effective manner in accordance with our operating environment. Directorate management teams review their Risk Registers and update them for changes on a regular basis.

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 2009. In addition, an independent review of our internal control framework, including corporate governance and risk management arrangements was carried out by our external auditors, Scott-Moncrieff, who have stated that 'overall we did not identify any weaknesses from our audit work which we consider a significant internal control issue and therefore requires to be raised within the Statement of Internal Control'.

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 2008/09 Annual Report our internal auditors, PWC, stated that 'for the year ended 31 March 2009 we can report that our work did not identify any significant control weaknesses that we consider to be pervasive in their effects on the system of internal control'.

The Board of Directors receives regular reports from the chair 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 from the Programme Review Board who assure the collective programmes of work.

Statement on the system of internal control (continued)

Review of Effectiveness

Procedures are in place to implement guidance from Scottish Ministers; however we have identified some potential improvements through our internal control assessments which we intend to undertake in the coming year to further enhance our control environment. We are also of the opinion that whilst the embedding of the risk management process is complete, ongoing training and education will be required to sustain the effectiveness of the policy and procedures.

Taking into account the steps noted above that we will take in the coming year, I am of the view that the systems of internal control can continue to be improved for effectiveness. 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

19 August 2009

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

19 August 2009

Independent auditors' report to the members of Learning and Teaching Scotland, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of Learning and Teaching Scotland for the year ended 31 March 2009 under The Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2008 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. These financial statements comprise the Statement of Financial Activities, the Income and Expenditure Account and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board, Accountable Officer and auditor

The Board and Accountable Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Educational Development, Research and Services (Scotland) Grant Regulations (1999) and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Educational Development, Research and Services (Scotland) Grant Regulations (1999) and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulation 2006. We report to you whether, in our opinion, the information in the Directors Report, included in the Annual Report, is consistent with the financial statements. We also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, we report to you if, in our opinion, the body has not kept proper accounting records, if the charity's statement of accounts is not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on the System of Internal Control reflects the body's compliance with the Scottish Government's guidance, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland.

Independent auditors report to the members of Learning and Teaching Scotland, the Auditor General for Scotland and the Scottish Parliament (continued)

Our audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the body'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with the Educational Development, Research and Services (Scotland) Grant Regulations 1999 and directions made thereunder by the Scottish Ministers, of the state of affairs of the body as at 31 March 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Educational Development, Research and Services (Scotland) Grant Regulations 1999 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations; and
- information which comprises the Directors Report, included with the Annual Report, is consistent with the financial statements.

Regularity

- In our opinion in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

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

19 August 2009

Statement of Financial Activities

Year ended 31 March 2009

| | Unrestricted Funds | Restricted Funds | Totals 31 March 2009 | Totals 31 March 2008 |
|--|-----------------------|---------------------|----------------------------|----------------------------|
| | £ | £ | £ | £ |
| Incoming resources | | | | |
| <i>Incoming resources from generated funds</i> | 1,698,027 | - | 1,698,027 | 1,474,720 |
| Other incoming Resources | | | | |
| <i>Incoming resources from charitable activities</i> | | | | |
| Scottish Government general activities grant | 7,823,000 | - | 7,823,000 | 5,950,000 |
| Other government funding | 11,530,446 | 209,528 | 11,739,974 | 15,332,611 |
| Other grants | 1,186,537 | - | 1,186,537 | 942,101 |
| Total incoming resources | 22,238,010 | 209,528 | 22,447,538 | 23,699,432 |
| Resources Expended | | | | |
| <i>Cost of generating funds</i> | | | | |
| Cost of sales | 1,153,346 | - | 1,153,346 | 979,075 |
| <i>Charitable Activities</i> | | | | |
| Publication and consultancy | 2,958,492 | - | 2,958,492 | 3,350,403 |
| Grants payable | 2,187,914 | - | 2,187,914 | 1,991,534 |
| Irrecoverable VAT and other costs | 1,412,655 | - | 1,412,655 | 1,619,755 |
| Staff costs | 9,545,742 | - | 9,545,742 | 10,409,537 |
| Voluntary severance | (144,414) | - | (144,414) | 350,000 |
| Staff travel and development | 934,935 | - | 934,935 | 801,634 |
| Conferences and seminars | 1,213,212 | - | 1,213,212 | 906,494 |
| Administration and building expenses | 992,221 | - | 992,221 | 616,456 |
| Promotional expenses | 199,452 | - | 199,452 | 292,207 |
| Other professional fees | 143,273 | - | 143,273 | 221,414 |
| Loss on disposal of assets | (1,576) | - | (1,576) | 11,044 |
| Depreciation – Owned / Funded Assets | 39,869 | 560,331 | 600,200 | 699,710 |
| Other finance costs | (56,000) | - | (56,000) | (374,000) |
| <i>Governance costs</i> | | | | |
| External Auditors' remuneration | 17,425 | - | 17,425 | 14,000 |
| Board and internal audit costs | 48,770 | - | 48,770 | 93,385 |
| Total resources expended | 20,645,316 | 560,331 | 21,205,647 | 21,982,648 |
| Net incoming/(outgoing) resources | 1,592,694 | (350,803) | 1,241,891 | 1,716,784 |
| Actuarial (loss)/ gain on net pension liability | (2,995,000) | - | (2,995,000) | 2,523,000 |
| Reconciliation of funds | | | | |
| Net movement in funds | (1,402,306) | (350,803) | (1,753,109) | 4,239,784 |
| Fund balances brought forward at 1 April 2008 | 3,704,776 | 2,062,248 | 5,767,024 | 2,251,460 |
| Utilisation of restricted reserves | - | - | - | (70,091) |
| Reserves released to match depreciation charge | - | - | - | (654,129) |
| Fund balances at 31 March 2009 | 2,302,470 | 1,711,445 | 4,013,915 | 5,767,024 |

All disclosures relate to continuing operations

The statement of accounting policies and notes on pages 18 to 32 form part of these financial statements.

Income and Expenditure Account

Year ended 31 March 2009

| | | 2009 | 2008 |
|--|------|---------------------|---------------------|
| | Note | £ | £ |
| Operating Income | | | |
| European, Local Authority and Other Grants | | 1,186,537 | 942,101 |
| Own and third party software sales | | 1,225,893 | 1,022,214 |
| Royalty and Publications Income | | 22,399 | 32,449 |
| Other project income | | 54,457 | 38,250 |
| Skills Development income | | 38,060 | 27,329 |
| Reserves release to match depreciation charge | | 560,331 | - |
| Miscellaneous income | | 92,264 | 205,390 |
| Total operating income | | 3,179,941 | 2,267,733 |
| Operating Expenditure | | | |
| Cost of Sales | | | |
| Own and Third Party Software | | 1,153,346 | 979,075 |
| Total cost of sales | | 1,153,346 | 979,075 |
| Staff costs | 3 | 9,545,742 | 10,409,537 |
| Voluntary severance costs | 3 | (144,414) | 350,000 |
| Publication and consultancy | | 2,958,492 | 3,411,660 |
| Grants payable | | 2,187,914 | 1,991,534 |
| Irrecoverable VAT and other costs | | 1,412,655 | 1,619,755 |
| Staff travel and development | | 934,935 | 801,634 |
| Administration and building expenses | | 992,221 | 616,456 |
| Promotional expenses | | 199,452 | 292,207 |
| Conferences and seminars | | 1,213,212 | 906,494 |
| Depreciation - owned assets | 4 | 39,869 | 45,581 |
| Depreciation - project funded assets | 5 | 560,331 | 654,129 |
| Loss on disposal of assets | | (1,576) | 11,044 |
| External auditors' remuneration | | 17,425 | 14,000 |
| Board and internal audit costs | | 48,770 | 93,385 |
| Other professional fees | | 143,273 | 160,157 |
| Operating lease rentals | | - | - |
| Total operating expenditure | | 21,261,647 | 22,356,648 |
| Operating deficit | | (18,081,706) | (20,088,915) |
| Bank interest received | | 264,954 | 149,088 |
| Other finance income/ (costs) | 20 | 56,000 | 374,000 |
| Notional cost of capital | 6 | (171,166) | (140,323) |
| Deficit - after interest and notional costs | | (17,931,918) | (19,706,150) |
| Reversal of notional cost of capital | | 171,166 | 140,323 |
| Deficit transferred to reserves | | (17,760,752) | (19,565,827) |

All disclosures relate to continuing operations.

The statement of accounting policies and notes on pages 18 to 32 form part of these financial statements.

Statement of recognised gains and losses

Year ended 31 March 2009

| | Unrestricted Funds | Restricted Funds | Total 2009 | Total 2008 |
|--|-----------------------|---------------------|--------------------|------------------|
| | £ | £ | £ | £ |
| Deficit of income versus expenditure | (17,760,752) | - | (17,760,752) | (19,565,827) |
| Scottish Government Grant in Aid received | 7,823,000 | - | 7,823,000 | 5,950,000 |
| Scottish Government Programme Funding received | 11,530,446 | - | 11,530,446 | 15,215,744 |
| Actuarial (losses)/ gains on net pension liability | (2,995,000) | - | (2,995,000) | 2,523,000 |
| Net additions in respect of project funded assets | - | 209,528 | 209,528 | 116,867 |
| Net transfer to/ (from) restricted reserves in respect of funds managed | - | - | - | (70,091) |
| Transferred (from) restricted reserves in respect of project funded assets | - | (560,331) | (560,331) | (654,129) |
| Total recognised gains and losses relating to the year | (1,402,306) | (350,803) | (1,753,109) | 3,515,564 |
| Opening capital and reserves | 3,704,776 | 2,062,248 | 5,767,024 | 2,251,460 |
| Closing capital and reserves | 2,302,470 | 1,711,445 | 4,013,915 | 5,767,024 |

The statement of accounting policies and notes on pages 18 to 32 form part of these financial statements.

Balance sheet

31 March 2009

| | Note | 31 March 2009 £ | 31 March 2008 £ |
|--|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Owned Tangible Assets | 4 | 88,110 | 72,918 |
| Project Funded Tangible Assets | 5 | 1,711,445 | 2,062,248 |
| | | 1,799,555 | 2,135,166 |
| Current assets | | | |
| Stocks | 7 | 27,696 | 31,036 |
| Debtors | 8 | 522,108 | 795,766 |
| Cash at bank and in hand | | 9,457,169 | 8,347,164 |
| | | 10,006,973 | 9,173,966 |
| Creditors: amounts falling due within one year | 9 | (4,845,006) | (5,180,108) |
| Provisions: amounts falling due within one year | 9 | (190,607) | (350,000) |
| Net current assets | | 4,971,360 | 3,643,858 |
| Total assets less current liabilities | | 6,770,915 | 5,779,024 |
| NET ASSETS excluding pensions (liability) | | 6,770,915 | 5,779,024 |
| Creditors: amounts falling due after more than one year | | | |
| Provisions for liabilities and charges: | | | |
| Pensions (liability) | 20 | (2,757,000) | (12,000) |
| NET ASSETS including pensions (liability) | | 4,013,915 | 5,767,024 |
| <i>Represented by:</i> | | | |
| RESERVES | | | |
| Restricted reserve for project funded assets | 11 | 1,711,445 | 2,062,248 |
| Unrestricted general reserve | 12 | 5,059,470 | 3,716,776 |
| Unrestricted pension reserves | 12 | (2,757,000) | (12,000) |
| | | 4,013,915 | 5,767,024 |

These financial statements were approved by the Board on 19 August 2009

J Mulgrew
Director

B McLeary
Chief Executive

The statement of accounting policies and notes on pages 18 to 32 form part of these financial statements.

Cash flow statement

Year ended 31 March 2009

| | Notes to cash flow statement | 2009 £ | 2008 £ |
|---|------------------------------------|------------------|------------------|
| Net cash (outflow)/inflow from operating activities | 1 | 1,109,640 | 2,098,341 |
| Returns on investment and servicing of finance | 2.1 | 264,954 | 149,088 |
| Capital expenditure and financial investment | 2.2 | (264,589) | (167,225) |
| Net cash inflow | | 1,110,005 | 2,080,204 |
| Net funds brought forward at 1 April 2008 | | 8,347,164 | 6,266,960 |
| Net funds at 31 March 2009 | | 9,457,169 | 8,347,164 |

The statement of accounting policies and notes on pages 18 to 32 form part of these financial statements.

Notes to the cash flow statement

Year ended 31 March 2009

| 1 Reconciliation of operating deficit to net cash (outflow)/inflow from operating activities | 2009 | 2008 |
|--|------------------|------------------|
| | £ | £ |
| Net Incoming / (Outgoing) Resources | 1,241,891 | 1,716,784 |
| Interest Received | (264,954) | (149,088) |
| Depreciation – owned assets | 39,869 | 45,581 |
| Depreciation – project funded assets | 560,331 | 654,129 |
| Decrease/ (Increase) in stock | 3,340 | 15,174 |
| Decrease in debtors | 273,658 | 1,709,723 |
| (Decrease)/ increase in creditors/ provisions | (494,495) | (845,742) |
| Increase/ (Decrease) in restricted reserves | - | (70,091) |
| FRS 17 Pensions adjustments | (250,000) | (324,000) |
| Amortisation of reserve in respect of project funded assets | - | (654,129) |
| | <hr/> | <hr/> |
| Net cash(outflow) from operating activities | 1,109,640 | 2,098,341 |
| | <hr/> | <hr/> |
| 2 Gross cash flow | | |
| 2.1 Returns on investment and servicing of finance | | |
| Interest received | 264,954 | 149,088 |
| | <hr/> | <hr/> |
| | 264,954 | 149,088 |
| | <hr/> | <hr/> |
| 2.2 Capital expenditure and financial investment | | |
| Payments to acquire owned fixed assets (note 4) | (55,061) | (61,402) |
| Payments to acquire project funded fixed assets (note 5) | (209,528) | (116,867) |
| (Gain) / Loss on disposal of assets | - | 11,044 |
| | <hr/> | <hr/> |
| | (264,589) | (167,225) |
| | <hr/> | <hr/> |

Notes to the financial statements

Year ended 31 March 2009

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 Government. 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.

It should be noted that the Scottish Government reserve the right to retain capital proceeds on any sale of the company's fixed assets.

Stocks

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

Leases commitments

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

Notional costs

In accordance with accounting requirements laid down by the FReM, 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.

Notes to the financial statements

Year ended 31 March 2009 (continued)

1 Accounting Policies (continued)

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.

Irrecoverable VAT

The company is unable to recover the significant majority of input VAT suffered on external purchases. This cost is expensed and charged separately to the income and expenditure account.

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.

There were no material, unusual or exceptional transactions in the year with any of the organisations, listed below, in which our Directors have an interest.

Notes to the financial statements

Year ended 31 March 2009 (continued)

2 Directors and their interests (continued)

The organisations in which Directors have an interest are noted below:

| Name | Company | Position Held |
|--------------------|---|------------------------------|
| John Mulgrew | Joint Board of Scottish Arts Council / | Board Member |
| | Scottish Screen | |
| | Project Scotland | Board Member |
| | Scottish European Educational Trust | Trustee |
| Bernard McLeary | Arts Trust Scotland | Trustee |
| | Scottish Teachers for a New Era | Advisory Board Member |
| Bernard McLeary | Scottish Legacy | Board Member |
| | | |
| Graeme Ogilvy | Construction Skills Scotland | Director |
| | Scottish Construction Forum | Chair |
| | - Workforce Development Group Learn Direct & Build | Deputy Chair |
| Douglas Weir | University of Aberdeen | Senior Lecturer |
| James Conroy | University of Glasgow | Dean of Faculty of Education |
| | General Teaching Council for Scotland | Member |
| | Journal of Moral Education Trust | Secretary / Treasurer |
| | Association for Moral Education | President |
| Carole Ford | UCET | Executive Board |
| | Kilmarnock Academy | Head Teacher |
| | School Leaders Scotland | President |
| | Scottish Secondary Mathematics Group | Chair |
| Louise Hayward | SSERC Advisory Board | Member |
| | | |
| Louise Hayward | University of Glasgow | Senior Lecturer |
| Louise Hayward | Assessment Reform Group | Member |
| | | |
| Jacqueline Hepburn | Alliance of Sector Skills Councils UK | Director |
| Iain Nisbet | | |
| | Govan Law Centre (Education Law Unit) | Solicitor |
| Iain Nisbet | Torrance Primary School Parent Council | Member |

Notes to the financial statements

Year ended 31 March 2009 (continued)

| 3. Staff costs | 2009 | 2008 |
|---|------------------|-------------------|
| | £ | £ |
| The average weekly number of persons employed by the company during the year was 171 (2008: 188). | | |
| Staff costs comprised: | | |
| Wages and salaries | 5,034,836 | 5,270,038 |
| Social security costs | 463,576 | 498,969 |
| Pension and early retirement costs | 553,435 | 803,150 |
| Staff on secondment and temporary or contract personnel | 3,493,895 | 3,837,380 |
| | 9,545,742 | 10,409,537 |
| Pension and early retirement costs can be analysed as follows: | | |
| Regular Pension Costs – Teachers pension fund | 179,234 | 175,173 |
| Regular Pension Costs - Other | 1,201 | (16,023) |
| FRS17 Current Service Cost | 373,000 | 644,000 |
| FRS17 Past Service Cost | - | - |
| | 553,435 | 803,150 |
| Voluntary Severance Costs | | |
| Charge for staff taking voluntary severance in the year | 205,586 | - |
| Strathclyde Pension Fund provision | (350,000) | 350,000 |
| | (144,414) | 350,000 |

The costs in the current year were incurred in respect of nine staff who left the company prior to 31 March 2009 or shortly thereafter under the terms of a voluntary severance scheme. The release in the current year of the previous year's provision of £350,000 is as explained in Note 9.

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. 62 individuals were working for LT Scotland under these secondment arrangements at 31 March 2009 (2008: 55)

Pension scheme members

Within the 171 employees as at 31 March 2009 (2008: 185), 98 (2008: 102) employees were members of the Strathclyde Pension Scheme with a further 28 (2008: 32) 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:

| | 2009 | 2008 |
|---------------------|------|------|
| | No. | No. |
| £60,001 - £70,000 | - | 1 |
| £70,001 - £80,000 | 4 | 3 |
| £100,000 - £110,000 | - | 1 |
| £120,000 - £130,000 | 1 | - |

Notes to the financial statements

Year ended 31 March 2009 (continued)

4 Tangible fixed assets - owned

| | Computer Equipment | Office Equipment & Fixtures | Total |
|---------------------------------|-----------------------|-----------------------------------|----------------|
| | £ | £ | £ |
| Cost or valuation | | | |
| As at 1 April 2008 | 157,942 | 16,220 | 174,162 |
| Additions | 53,666 | 1,395 | 55,061 |
| Disposals | (11,537) | - | (11,537) |
| As at 31 March 2009 | 200,071 | 17,615 | 217,686 |
| Accumulated depreciation | | | |
| As at 1 April 2008 | 95,953 | 5,291 | 101,244 |
| Charge for year | 36,700 | 3,169 | 39,869 |
| Disposals | (11,537) | - | (11,537) |
| As at 31 March 2009 | 121,116 | 8,460 | 129,576 |
| Net book value | | | |
| As at 31 March 2009 | 78,955 | 9,155 | 88,110 |
| As at 31 March 2008 | 61,989 | 10,929 | 72,918 |

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

5 Tangible fixed assets – project funded

| | Leasehold Improvements | Computer Equipment | Office Equipment & Fixtures | Total |
|----------------------------|---------------------------|-----------------------|-----------------------------------|------------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| As at 1 April 2008 | 1,365,301 | 1,555,658 | 761,660 | 3,682,619 |
| Additions | - | 209,528 | - | 209,528 |
| Disposals | - | - | - | - |
| As at 31 March 2009 | 1,365,301 | 1,765,186 | 761,660 | 3,892,147 |
| Depreciation | | | | |
| As at 1 April 2008 | 207,566 | 1,177,185 | 235,620 | 1,620,371 |
| Charge for year | 91,020 | 356,275 | 113,036 | 560,331 |
| Disposals | - | - | - | - |
| As at 31 March 2009 | 298,586 | 1,533,460 | 348,656 | 2,180,702 |
| Net book value | | | | |
| As at 31 March 2009 | 1,066,715 | 231,726 | 413,004 | 1,711,445 |
| As at 31 March 2008 | 1,157,735 | 378,473 | 526,040 | 2,062,248 |

The balances noted above relate principally to the investment in the Company's Glasgow Headquarters over which a 15 year lease was entered into in September 2005, as also disclosed in Note 13.

Notes to the financial statements

Year ended 31 March 2009 (continued)

6 Cost of capital

Notional interest has been charged on the capital employed of the company as at 31 March 2009 at the rate of 3.5% (2008: 3.5%) as follows:

| | 2009 | 2008 |
|---|------------------|------------------|
| | £ | £ |
| Net Assets as at 1 April 2008 | 5,767,024 | 2,251,460 |
| Net Assets as at 31 March 2009 | 4,013,915 | 5,767,024 |
| | <hr/> | <hr/> |
| Average balance | 4,890,469 | 4,009,242 |
| | <hr/> | <hr/> |
| Notional Interest at 3.5% pa, (2008: 3.5%) apportioned over year | 171,166 | 140,323 |

7 Stocks

| | 2009 | 2008 |
|----------------|--------|--------|
| | £ | £ |
| General stocks | 27,696 | 31,036 |

8 Debtors

| | 2009 | 2008 |
|---|----------------|----------------|
| | £ | £ |
| Owed by Central Government | 30,000 | 44,146 |
| Owed by Local Government, including schools | 249,904 | 320,917 |
| Owed by Other bodies | 131,735 | 99,369 |
| | <hr/> | <hr/> |
| Trade Debtors | 411,639 | 464,432 |
| Prepayments and Accrued Income | 108,749 | 328,792 |
| Other Debtors | 1,720 | 2,542 |
| | <hr/> | <hr/> |
| | 522,108 | 795,766 |

9 Creditors: Amounts falling due within one year

| | 2009 | 2008 |
|-----------------------------------|------------------|------------------|
| | £ | £ |
| Owed to Central Government | - | 21,660 |
| Owed to Local Government | 605,337 | 531,280 |
| Owed to Other bodies | 1,048,027 | 1,248,244 |
| | <hr/> | <hr/> |
| Trade creditors | 1,653,364 | 1,801,184 |
| Other taxation & social security | 141,781 | 160,998 |
| Accruals | 1,323,894 | 1,556,272 |
| Other Creditors | 63,394 | 40,056 |
| Deferred Project Income (note 10) | 1,662,573 | 1,621,598 |
| | <hr/> | <hr/> |
| | 4,845,006 | 5,180,108 |

Notes to the financial statements

Year ended 31 March 2009 (continued)

9 Provisions: Amounts falling due within one year (continued)

| | 2009 | 2008 |
|--|----------------|----------------|
| Provisions: Amounts falling due within one year | | |
| | £ | £ |
| Provision in respect of Voluntary Severance Scheme | 190,607 | 350,000 |
| | <u>190,607</u> | <u>350,000</u> |

The provision for voluntary severance this year relates to amounts payable to staff leaving the company shortly after the year end under the terms of a voluntary severance scheme, as shown in Note 3. The provision of £350,000 shown in the previous year was made as the Strathclyde Pension Fund was of the view that additional sums could be due by the company to the Fund by way of 'Strain on the Fund' payments in respect of certain leavers who had left the company's employment under the terms of its previous voluntary severance schemes in 2006 and 2007. The company disputed its liability in this matter and no further action has been taken to date by the Fund on this. We have therefore released the previous provision in this year's figures.

| 10. Deferred Project Income | 2009 | 2008 |
|--|-------------------------|-------------------------|
| | £ | £ |
| At 1 April 2008 | 1,621,598 | 652,248 |
| Utilised in the Year | (1,270,147) | (652,248) |
| Transfer from Restricted Reserves | - | 70,091 |
| Project Funded Income Received not Utilised by 31 March 2009 | <u>1,311,122</u> | <u>1,551,507</u> |
| At 31 March 2009 | <u>1,662,573</u> | <u>1,621,598</u> |

| 11. Restricted reserve for project funded assets | 2009 | 2008 |
|--|-------------------------|-------------------------|
| | £ | £ |
| At 1 April 2008 | 2,062,248 | 2,599,510 |
| Additions for the year | 209,528 | 116,867 |
| Disposals for the year | - | - |
| Released to match depreciation charge | <u>(560,331)</u> | <u>(654,129)</u> |
| At 31 March 2009 | <u>1,711,445</u> | <u>2,062,248</u> |

Notes to the financial statements

Year ended 31 March 2009 (continued)

12. Reserves

| | General Reserve £ | Pension Reserve £ | Totals 2009 £ | Totals 2008 £ |
|--|-------------------------|-------------------------|---------------------|---------------------|
| (i) Unrestricted Reserves | | | | |
| As at 1 April 2008 | 3,716,776 | (12,000) | 3,704,776 | (418,141) |
| Movement on pension reserve (note 20) | - | (2,995,000) | (2,995,000) | 2,523,000 |
| Deficit for the year | (18,321,084) | - | (18,321,084) | (19,565,827) |
| Transfer between General and Pension Reserves | (250,000) | 250,000 | - | - |
| Government Funding Received | 19,913,778 | - | 19,913,778 | 21,165,744 |
| As at 31 March 2009 | 5,059,470 | (2,757,000) | 2,302,470 | 3,704,776 |

13. Financial Commitments

LT Scotland has entered into a five year lease, as from January 2008, in respect of its Distribution Centre in Dundee. This agreement (with a tenant only break at the end of year 3), provides for annual lease payments to the landlord of £22,000.

LT Scotland also entered into a nine month short term lease in January 2008 in respect of its new offices at City House, Dundee. This was a temporary measure pending the intended relocation of our offices to Caledonian House, Dundee. With the delays in that relocation, the City House lease has now been extended up to October 2009. The lease is on the basis of an annualised rental of £46,000 plus associated management charges.

The Scottish Government 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. The Scottish Government pays the Optima rent and landlord's management charges for the Optima without recourse to LT Scotland. LT Scotland are however responsible for the Optima rates and utility costs.

14. Related Party Transactions

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

Funding received from SGSD during the year amounted to £19,843,445 (2008: £ 21,856,048). The amount included in trade debtors at 31 March 2009 was £30,000 (2008: £49,265).

Note 9 to the financial statements, regarding creditors payable within one year, includes a figure of £1,662,573 (2008: £ 1,621,598) relating to deferred project income. Of this figure £1,499,607 (2008: £ 1,416,592) related to SGSD at 31 March 2009.

Notes to the financial statements

Year ended 31 March 2009 (continued)

15. Disclosure of Grants Received

LT Scotland received various cash grants during the year to 31 March 2009 as contributions towards the cost of activities. The receipts from the Scottish Government's Special Education Needs Innovation Grants Programme to carry out work on the Inclusive Education Online Resource project are acknowledged and noted below.

| Project Income & Expenditure in the year to 31 March 2009 | Inclusive Education |
|---|------------------------|
| | £ |
| Funding Received to cover direct costs and overheads | <u>164,045</u> |

Annual grant in aid received from the Scottish Government of £7,823,000 (2008: £5,950,000) is in respect of current revenue expenditure and the amount carried forward at the year end is £Nil (2008: £Nil).

16. Share capital

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

17. Subsidiary Company

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

18. Contingent Liabilities – Equal Pay

With the creation of LT Scotland in 2000, the company inherited different pay and grading structures from its two predecessor bodies. Since then the company has restructured to realign with the changes in organisational remit. Previous pay arrangements, influenced by public sector pay constraints, did not fully bridge the gap between practices in the two predecessor organisations and had not fully addressed differences including lack of progression, below market salaries in some areas and differences between posts of equal value. The company has now implemented a three year pay & grading settlement, with effect from 1st April 2008 which, by 31st March 2011, will result in no significant differences in average base salary between male and female employees. An external Equal Pay Review was carried out in 2007 and showed that LT Scotland had a potentially significant exposure to equal pay claims from staff on the basis of the then pay and grading structures. No equal pay claims have been received from staff by LT Scotland. The company is confident that its position is defensible before an Employment Tribunal and that it is now taking the appropriate steps. No provision for equal pay exposure has therefore been made in these accounts.

Notes to the financial statements

Year ended 31 March 2009 (continued)

19. Charitable Status

LT Scotland has been a registered charity since its formation in 2000 and HMRC has recently confirmed that they continue to regard LT Scotland as a charity from the viewpoint of UK taxation. The Company has therefore maintained its current corporation tax and VAT position.

The Company had been in discussion with the Office of the Scottish Charity Regulator ('OSCR') since 2006 as OSCR had been of the view that the Company's then Memorandum and Articles of Association gave influence to Scottish Ministers that would be inappropriate for a charitable body. The Company adopted updated Memorandum and Articles in August 2008 and OSCR have now confirmed that they are satisfied that LT Scotland can retain its Scottish charitable status.

20. 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 have increased annually in recent years by 0.6% of salary costs. Our 12.0% of salary costs contributions in the year to 31st March 2001 have therefore increased to employer contributions of 16.8% of salary cost in the year to 31st March 2009.

Employee pension contributions have remained unchanged at 6% throughout the above period.

In the year ending 31 March 2010 the company is paying 17.3% of salary costs. The Strathclyde Pension fund estimates that the employers' contribution rate will rise by a further 0.9%, to 18.2%, in the year to 31 March 2011.

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 2009 was as follows:

| | 2009 £'000 | 2008 £'000 | 2007 £'000 | 2006 £'000 | 2005 £'000 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Fair value of assets | 19,833 | 25,327 | 25,921 | 24,030 | 17,147 |
| Present value of scheme liabilities | (21,252) | (23,951) | (27,250) | (27,827) | (20,965) |
| Present value of unfunded liabilities | (1,338) | (1,388) | (1,530) | (1,718) | (1,504) |
| Net Pension Liability | (2,757) | (12) | (2,859) | (5,515) | (5,322) |

The following information is extracted from the FRS17 Report prepared for LT Scotland by Hymans Robertson, an independent actuary:

Section 1 – Data

Employer Membership Statistics

| | Number | | Total Salaries / Pensions £(000) | | Average Age 31 Mar 2008 |
|---------------------|-------------|-------------|-------------------------------------|-------------|-------------------------------|
| | 16 Mar 2009 | 31 Mar 2008 | 31 Mar 2009 | 31 Mar 2008 | |
| Active | 98 | 98 | 2,862 | 2,761 | 50 |
| Deferred Pensioners | 156 | 157 | - | 490 | 51 |
| Pensioners | 92 | 92 | - | 646 | 66 |

Notes to the financial statements

Year ended 31 March 2009 (continued)

20 Pension Scheme – FRS 17 Disclosures (continued)

The actuary did not have current figures for the amount of pensioners in payment and deferred pensions. His calculations are based on estimates from the latest formal valuation.

Deferred pensioners include undecided leavers and frozen refunds.

Salaries are actual, not full-time equivalent.

Payroll

| Period | Assumed Total Pensionable Payroll based on Contribution Information Provided |
|-------------------------------|--|
| 1 April 2008 to 31 March 2009 | £2,823,000 |
| 1 April 2009 to 31 March 2010 | £2,862,000 |

LGPS Early Retirements

| New Early Retirements 1 April 2008 to 16 March 2009 | Number | Total Pension Accrued (£) | Total Pension Actual (£) |
|--|--------|------------------------------|-----------------------------|
| Redundancy | - | - | - |
| Efficiency | - | - | - |
| Other | - | - | - |

Investment Returns

The return on the Fund in market value terms for the year to 31 March 2009 is based on actual Fund returns as provided by the Administering Authority. Details are given below:

Actual Return from Period from 1 April 2008 to 31 March 2009 (20.8%)

The major categories of plan assets as a percentage of total plan assets

The actuary was provided with the split of investments by category as at 31 March 2009, as shown in the table below:

| Year Ended: | 31 March 2009 | 31 March 2008 |
|-------------|---------------|---------------|
| Equities | 73% | 73% |
| Bonds | 16% | 14% |
| Property | 8% | 10% |
| Cash | 3% | 3% |

The actuary estimated the bid value of the Fund's assets as at 31 March 2009 to be £7,536,000,000 based on information provided by the Administering Authority and estimated adjustments for the difference between the mid-market value (as supplied) and low bid value (as required) of assets.

Notes to the financial statements

Year ended 31 March 2009 (continued)

20 Pension Scheme – FRS 17 Disclosures (continued)

Unfunded Benefits

A summary of the membership data in respect of unfunded benefits is shown below.

| LGPS Unfunded Pensions | Number at 16 March 2009 | Annual Unfunded Pension (£000) |
|------------------------|-------------------------|--------------------------------|
| Male | 20 | 77 |
| Female | 15 | 21 |
| Dependants | 3 | 6 |
| Total | 38 | 104 |

The annual unfunded pensions include the 2009 pension increase.

Bulk Transfers

No allowance has been made for any bulk transfer since the Employer's previous FRS17 report as at 31 March 2008.

Section 2 - Assumptions

Financial Assumptions

The actuary's recommended financial assumptions are summarised below:

| Year Ended | 31 March 2009 % p.a. | 31 March 2008 % p.a. |
|-----------------------------------|-------------------------|-------------------------|
| Inflation / Pension Increase Rate | 3.1% | 3.6% |
| Salary Increase Rate | 4.6% | 5.1% |
| Expected Return on Assets | 6.5% | 7.1% |
| Discount Rate | 6.9% | 6.9% |

Breakdown of the Expected Return on Assets by Category

| Year Ended | 31 March 2009 % p.a. | 31 March 2008 % p.a. |
|------------|-------------------------|-------------------------|
| Equities | 7.0% | 7.7% |
| Bonds | 5.4% | 5.7% |
| Property | 4.9% | 5.7% |
| Cash | 4.0% | 4.8% |

Mortality

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 20.3 years | 23.2 years |
| Future Pensioners | 21.7 years | 24.6 years |

Notes to the financial statements

Year ended 31 March 2009 (continued)

20 Pension Scheme – FRS 17 Disclosures (continued)

Historic Mortality

Life expectancy for all the below year ends is based on the PFA92 and PMA92 tables. The allowance for future life expectancy is shown in the following table:

| Year Ended 31 March 2009 | Prospective Pensioners Year of birth | Pensioners Year of birth |
|-----------------------------|---|-----------------------------|
| 31 March 2008 | Calendar year 2015 | Calendar year 2005 |
| 31 March 2007 | Calendar year 2015 | Calendar year 2005 |
| 31 March 2006 | Calendar year 2015 | Calendar year 2005 |
| 31 March 2005 | Calendar year 2002 | Calendar year 2002 |

Age ratings and loadings on the rates of mortality are applied to the above tables based on membership profile.

Commutation

An allowance is included for 50% of future retirements to elect to take additional tax-free cash up to HMRC limits.

Section 3 – Balance Sheet Disclosures as at 31 March 2009

Fair Value of Employer Assets

| Year Ended | 31 March 2009 £(000) | 31 March 2008 £(000) |
|--------------|-------------------------|-------------------------|
| Equities | 14,478 | 18,388 |
| Bonds | 3,173 | 3,646 |
| Property | 1,587 | 2,492 |
| Cash | 595 | 801 |
| Total | 19,833 | 25,327 |

Balance Sheet

| Year Ended | 31 March 2009 £(000) | 31 March 2008 £(000) |
|---|-------------------------|-------------------------|
| Fair Value of Employer Assets | 19,833 | 25,327 |
| Present Value of Funded Liabilities | (21,252) | (23,951) |
| Net (Under) / Overfunding in Funded Plans | (1,419) | 1,376 |
| Present Value of Unfunded Liabilities | (1,338) | (1,388) |
| Unrecognised Past Service Cost | - | - |
| Net Asset / (Liability) in Balance Sheet | (2,757) | (12) |

Notes to the financial statements

Year ended 31 March 2009 (continued)

20 Pension Scheme – FRS 17 Disclosures (continued)

Section 4 – Revenue Account Costs for the Year to 31 March 2009

Recognition in the Profit or Loss

| Year Ended | 31 March 2009 | | 31 March 2008 | |
|--|---------------|--------------|---------------|-------------|
| | £(000) | % of pay | £(000) | % of pay |
| Current Service Cost | 373 | 13.2% | 644 | 20.5% |
| Interest Cost | 1,732 | 61.4% | 1,478 | 47.1% |
| Expected Return on Employer Assets | (1,788) | (63.3%) | (1,852) | (59.0%) |
| Past Service Cost / (Gain) | - | - | - | - |
| Losses / (Gains) on Curtailments and Settlements | - | - | - | - |
| Total | 317 | 11.3% | 270 | 8.6% |
| Actual Return on Plan Assets | (5,234) | | (786) | |

Reconciliation of Defined Benefit Obligation

| Year Ended | 31 March 2009 £(000) | 31 March 2008 £(000) |
|---|-------------------------|-------------------------|
| Opening Defined Benefit Obligation | 25,339 | 28,780 |
| Current Service Cost | 373 | 644 |
| Interest Cost | 1,732 | 1,478 |
| Contributions by Members | 169 | 184 |
| Actuarial Losses / (Gains) | (4,027) | (5,161) |
| Past Service Costs / (Gains) | - | - |
| Losses / (Gains) on Curtailments | - | - |
| Liabilities Extinguished on Settlements | - | - |
| Liabilities Assumed in a Business Combination | - | - |
| Exchange Differences | - | - |
| Estimated Unfunded Benefits Paid | (99) | (97) |
| Estimated Benefits Paid | (897) | (489) |
| Closing Defined Benefit Obligation | 22,590 | 25,339 |

Reconciliation of Fair Value of Employer Assets

| Year Ended | 31 March 2009 £(000) | 31 March 2008 £(000) |
|---|-------------------------|-------------------------|
| Opening Fair Value of Employer Assets | 25,327 | 25,921 |
| Expected Return on Assets | 1,788 | 1,852 |
| Contributions by Members | 169 | 184 |
| Contributions by the Employer | 468 | 497 |
| Contributions in Respect of Unfunded Benefits | 99 | 97 |
| Actuarial Gains / (Losses) | (7,022) | (2,638) |
| Estimated Unfunded Benefits Paid | (99) | (97) |
| Estimated Benefits Paid | (897) | (489) |
| Closing Fair Value of Employer Assets | 19,833 | 25,327 |

Notes to the financial statements

Year ended 31 March 2009 (continued)

20 Pension Scheme – FRS 17 Disclosures (continued)

Amounts for the Current and Previous Accounting Periods

| Year Ended | 31 Mar 2009 | 31 Mar 2008 | 31 Mar 2007 | 31 Mar 2006 | 31 Mar 2005 |
|---|-------------|-------------|-------------|-------------|-------------|
| | £(000) | £(000) | £(000) | £(000) | £(000) |
| Fair Value of Employer Assets | 19,833 | 25,327 | 25,921 | 24,030 | 17,147 |
| Present Value of Defined Benefit Obligation | (22,590) | (25,339) | (28,780) | (29,545) | (22,469) |
| Surplus / (Deficit) | (2,757) | (12) | (2,859) | (5,515) | (5,322) |
| Experience Gains / (Losses) on Assets | (7,022) | (2,638) | 20 | 3,804 | 570 |
| Experience Gains / (Losses) on Liabilities | 2,609 | (35) | 146 | (36) | (52) |

Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

| Year Ended | 31 Mar 2009 | 31 Mar 2008 | 31 Mar 2007 | 31 Mar 2006 | 31 Mar 2005 |
|--|-------------|-------------|-------------|-------------|-------------|
| | £(000) | £(000) | £(000) | £(000) | £(000) |
| Actuarial Gains / (Losses) | (2,995) | 2,523 | 2,193 | (97) | 86 |
| Increase in Irrecoverable Surplus | - | - | - | - | - |
| Actuarial Gains / (Losses) Recognised in STRGL | (2,995) | 2,523 | 2,193 | (97) | 86 |
| Cumulative Actuarial Gains and Losses | 1,710 | 4,705 | 2,182 | (11) | 86 |

Section 5 – Projected Pension Expense for the Year to 31 March 2010

Analysis of Projected Amount to be Charged to Operating Profit for the Year to 31 March 2010

| Year Ended | 31 March 2010 | |
|--|---------------|--------------|
| | £(000) | % of pay |
| Projected Current Service Cost | 308 | 10.8% |
| Interest on Obligation | 1,541 | 53.8% |
| Expected Return on Plan Assets | (1,279) | (44.7%) |
| Past Service Cost | 88 | 3.1% |
| Losses / (Gains) on Curtailments and Settlements | - | - |
| Total | 658 | 23.0% |

The actuary estimates that the Employer's contributions for the year to 31 March 2010 will be approximately £495,000.



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