

**Connexions Lancashire Limited (Limited by
Guarantee)**

**Directors' report and financial
statements**

Registered number 4372277

Year Ending 31 March 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ending 31 March 2007

Principal activities

The principal activities of the company are

- The objects for which the Company is established is to provide information, advice and guidance services to individuals, institutions and other organisations incorporating the Connexions Service for the administrative areas of Blackpool, Blackburn with Darwen, and Lancashire
- Provide and assist with the provision of information, advice, guidance and support to young people ages 13-19 and adults preparing for the key transitions to work and within work and adult life,
- Create a partnership of agencies and organisations supporting young people and adults in the Area to provide coherent services aimed at encouraging and facilitating increased participation in learning and increased levels of achievement,
- Collect, collate, publish and disseminate information on employment, training, and education opportunities and other information relevant to the needs of clients, and consistent with the transition to adult and/or working life,
- Provide and assist with the provision of information, advisory services, and training and development to appropriate and different customer groups including the parents and carers of young people aged 13-19 which will enable them to support the decisions of those young people,
- Establish arrangements with planners and providers of education, training and work to support the coherence of services to young people aged 13-19 and adults,
- Provide an effective referral and placing service which matches the needs of clients with opportunities in employment, education and training, and provide support to organisations with the recruitment, development and retention of individuals,
- Assist in the provision of programmes of education-business links to support the curriculum for young people in schools and colleges across the Area

Business review

The company has continued to build upon the success of the previous four years. Particularly the company has impacted upon the volumes of young people aged 16 - 18 who have been NEET (not engaged in education, employment and training) and the volumes of young people who were not accessing services and learning opportunities

The numbers of young people aged 16 – 18 in learning opportunities has continued to increase. At the end of February 2007 76.8% were in learning compared to 74.2% in February 2006 and 71.9% in February 2005.

The volumes of school leavers progressing into learning has continued the year on year rises. At the counting date in November 2006 87.3% of the 2006 school leaver group were in learning compared to 87.0% in 2005 and 85.7% in 2004.

The proportion of young people aged 16 – 18 who are NEET (not engaged in education, employment or training) has continued to decline. The average for the 3 months November, December and January was 7.8% in 2006 – 2007 compared to 8.9% for 2005 – 2006.

Volumes were also reduced showing 3,551 for January 2007 compared to 3,854 in January 2006. This is particularly significant as the 16 – 18 cohort is bigger in 2006 – 2007 than previous years.

Targets for reducing NEET for all 3 local authorities have been met. These challenging targets were set in each local authority area as part of the Local Area Agreements (LAA) negotiated between local authorities and Government Office for the North West.

There has been a continuing commitment to quality and achieving national standards. The company achieved the prestigious Matrix Excellence Award for provision of information, advice and guidance services. A Connexions Personal Adviser working in

Directors' report *(continued)*

West Lancashire won a national accolade as the Public Servant of the Year in May 2006. Connexions received a National Careers Award at the Institute of Careers Guidance Annual Conference recognising good practice in the Social Work Placement Project.

The company has supported the voluntary and community sector through annual development grants and has invested in improved centres to enable use of Connexions premises by a range of partners.

Connexions Lancashire has successfully operated a number of projects working with adults, employers and specific groups of disadvantaged young people. For example the company has led a national pilot funded by the Treasury introducing Learner Agreements: the company has delivered successfully against target and been consistently the best performing area.

2006 – 2007 is our final year of operation and Connexions will be delivered under new delivery arrangements from 1st April 2007.

The Directors have no shareholding in Connexions Lancashire Limited. The Directors would like to confirm that Connexions Lancashire Limited made no political contributions during the course of the financial year.

Employment Policies

Connexions Lancashire Limited employs in excess of 250 employees and it is Company policy and part of our procedures to comply with the Disability Discrimination Act 1994 in respect of continuing to employ and train persons who become disabled or are disabled. The Company has a full policy in relation to this Act with which the Company complies. The Company operates a Personnel Handbook which contains all the policies and practices which form part of the employees contract.

Transfer to reserves and proposed dividend

The deficit for the period incurred in the company is (£550,000) (2006: £197,000 surplus). The Directors do not propose the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

Executive directors:

K O'Donoghue (appointed 22 May 2004)

Non executive directors:

A Dick (Chairman)	(appointed 27 March 2002)
AR Wolstenholme	(appointed 27 March 2002), (resigned 28 March 2007)
JM Goffee	(appointed 27 March 2002)
D Sanders	(appointed 1 April 2002)
H Catherall	(appointed 28 November 2002)
C Memmott	(appointed 27 March 2002)
CB Morris	(appointed 17 March 2003), (resigned 28 March 2007)
M Barton	(appointed 14 March 2003), (resigned 28 March 2007)
B Lovat	(appointed 12 August 2004), (resigned 28 March 2007)
P Waterhouse	(appointed 28 September 2004), (resigned 28 March 2007)
S Crouch	(appointed 15 March 2005), (resigned 28 March 2007)
P Lee	(appointed 12 January 2006), (resigned 28 March 2007)
P Jefferson	(appointed 24 January 2006)
A Andrews	(appointed 7 March 2006), (resigned 28 March 2007)

Company Secretary

IM Fisher – Company Secretary	(appointed 12 February 2002)
EJ Sutton – Deputy Secretary	(appointed 27 March 2002), (resigned 26 July 2006)
F Winters – Deputy Secretary	(appointed 26 July 2006)

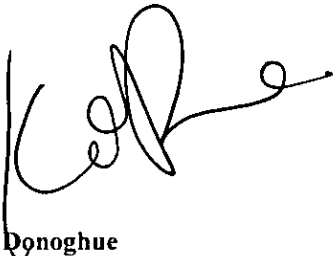
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company will not be necessary as the company will have ceased trading. However, as part of the closure process KPMG LLP will be appointed to audit the final financial statements of the Company which will be confirmed at the next Board meeting

By order of the Board



K O Donoghue
Chief Executive

9 Jan. 2008

Date

Corporate Governance Statement

Connexions Lancashire Ltd is committed to demonstrating compliance with best practice in all aspects of corporate governance. The company already achieves a reasonable degree of compliance with the CIPFA/SOLACE corporate governance framework.

This is a key public sector framework recognised by the Office of the Deputy Prime Minister and adopted by the Audit Commission, government inspectors and local authorities. The framework covers five dimensions based on the underlying principles of good governance – openness & inclusivity, integrity and accountability. Whilst the framework was predominantly written for local authorities, it is seen as becoming increasingly relevant to all organisations providing a public service funded by public money.

The Board

The Board's responsibility is to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is provided with regular and timely information on the overall financial performance of the company, together with other information such as performance against targets, proposed capital expenditure, quality matters and personnel related matters. The Board meets on a two monthly basis.

The Board conducts its business through a number of committees. Each Committee has terms of reference, approved by the Board. These committees are Audit and Finance, Remuneration and Human Resources and Service Delivery.

Formal agendas, papers and reports are provided to Board members in a timely manner, prior to board or committee meetings.

The Board has a strong and independent non-executive element and no individual or group dominates its decision making process. The company considers that each of its non-executive members is independent of management.

There is clear division of responsibility in that the roles of Chair and Chief Executive are separate.

The Remuneration and Human Resources Committee

The Remuneration and Human Resources committee is appointed by the Board and has a membership of between three and five Non Executive Directors. The Committee is required to meet at least once each year.

The Board has delegated to the Committee authority to consider and agree (or, where appropriate, make recommendations to the Members of the company) proposals regarding a wide range of framework and remuneration issues as they relate to the Company's Senior Management Structure and also any payments which are proposed to be made to any of the Company's Directors.

The Audit and Finance Committee

The Audit & Finance Committee comprises of five members of the Board. The committee operates in accordance with written terms of reference approved by the Board.

The Audit Committee meets at least three times a year and provides a forum for reporting by the company's internal and external auditors, who have access to the Committee for independent discussion without the presence of management. The Committee also receives and considers reports from the company, Supporting Children and Young People Group and other inspectors as they affect the company's business.

Corporate Governance Statement *(continued)*

The company's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure that such recommendations have been implemented.

Service Delivery Committee

The Service Delivery Committee comprises five members of the Board. Its remit is to review the most effective mechanism for the delivery of the Connexions Service pan Lancashire. The committee receives and considers reports from the company and also commissions research into relevant areas of the Connexions Service to obtain key indicators to inform and enhance service delivery for the benefit of young people.

Internal Control Framework

The Board is ultimately responsible for the company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, not absolute assurance, against material misstatement or loss.

The Board has delegated to the Chief Executive the day to day responsibility for reviewing the adequacy of the system of internal control and making appropriate amendments. She is also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

Connexions Lancashire Ltd has put a number of measures in place to continue to comply with CIPFA/SOLACE corporate governance framework such as -

- A Risk based internal audit programme
- A Risk Management Framework to identify and take measures to mitigate risk and/or to take advantage of opportunity. This process will be subject to regular review by the Board.

The company through its internal audit reviews as well as its own internal continuous improvement programmes has improved finance procedures to assist colleagues to better manage and understand the financial information being produced.

The internal audits have been effective in identifying areas for improvement which the company has addressed by revising procedures.

It is the company's intention to maintain the corporate governance framework database to help with the continuous improvement process.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONNEXIONS LANCASHIRE LIMITED

We have audited the financial statements of Connexions Lancashire Ltd for the year ended 31st March 2007 which comprise Income and Expenditure Account, Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (Effective January 2005).

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK 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. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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 (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 UK Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31st March 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

18 January 2008

Income and expenditure account
for the year ending 31st March 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover			
Continuing operations		22,306	22,372
Cost of sales	4	(12,191)	(11,529)
Gross surplus/(deficit)		10,115	10,843
Administrative expenses		(10,740)	(10,732)
Operating surplus/(deficit)	2-3	(625)	111
Other interest receivable and similar income	5	91	62
Other finance income (negative goodwill)	8	19	46
Interest payable and similar charges	6	(1)	(2)
Profit/(loss) on ordinary activities before taxation	2-8	(516)	217
Tax on profit on ordinary activities	7	(34)	(20)
Profit/(loss) on ordinary activities after taxation		(550)	197
Profit/(loss) for the financial year		(550)	197

All amounts relate to continuing operations


Balance sheet
at 31st March 2007

	<i>Note</i>	2007 £000	£000	2006 £000	£000
Fixed assets					
Intangible assets	8	(171)		(190)	
Tangible assets	9	1,291		1,420	
			<u>1,120</u>		<u>1,230</u>
Current assets					
Debtors	10	806		3,885	
Cash at bank and in hand		3,109		1,840	
		<u>3,915</u>		<u>5,725</u>	
Creditors: amounts falling due within one year	11	<u>3,332</u>		<u>5,332</u>	
Net current assets			<u>583</u>		<u>393</u>
Total Assets less Current Liabilities			1,703		1,623
Creditors: amounts falling due after more than one year	11a		<u>0</u>		<u>14</u>
Finance Lease					
Net assets excluding pension liabilities			1,703		1,609
Net pension deficit			<u>(6,330)</u>		<u>(7,248)</u>
Net deficit including pension liability			<u>(4,627)</u>		<u>(5,639)</u>
Net Deficit			<u>(4,627)</u>		<u>(5,639)</u>

Balance sheet (*continued*)

	<i>Note</i>	£000	£000
Capital and reserves			
Income & expenditure account	12	(4,627)	(5 639)
		<u>(4,627)</u>	<u>(5 639)</u>

These financial statements were approved by the board of directors on 9th January 2008 and were signed on its behalf by


 A. Dick
 Chairman

Cash flow statement
for the year ended 31st March 2007

	<i>Note</i>	2007	2006
		£000	£000
Net cash inflow from operating activities (see below)		1,565	137
Returns on investments and servicing of finance			
Interest received	<i>91</i>	<i>62</i>	
Interest paid	<i>(1)</i>	<i>(2)</i>	
		90	60
Total		1,655	197
Taxation			
Corporation tax paid		(23)	(30)
Capital expenditure		(360)	(191)
Net Cash outflow before financing		1,272	(24)
Financing	<i>15</i>	(3)	(4)
Net increase in cash	<i>16</i>	1,269	(28)
Reconciliation of operating profit to net cash flow from operating activities		2007	2006
Operating Surplus / (deficit) before taxation		(516)	217
Amortisation of negative goodwill		(19)	(46)
Depreciation charges		481	750
Decrease in debtors		3,079	479
Decrease in creditors		(2,014)	(1 098)
Interest receivable		(91)	(62)
Interest payable		1	2
Less net loss on pension scheme		644	(105)
		1,565	137

Statement of total recognised gains and losses

	<i>Note</i>	2007 £000	2006 £000
For the year ending 31st March 2007			
Profit/(Loss) for the financial year		94	92
Charge to P&L for the year net gain/(loss) on pension scheme		(644)	105
		<hr/>	<hr/>
		(550)	197
		<hr/>	<hr/>
Actuarial gain recognised in the pension scheme	<i>14</i>	1,562	(842)
Total recognised gains and losses relating to the year		1,012	(645)
Prior year adjustment		0	(6,511)
		<hr/>	<hr/>
		1,012	(7,156)
		<hr/>	<hr/>

Reconciliation of Movement on Reserves funds

	<i>Note</i>	2007 £000	2006 £000
For the year ending 31st March 2007			
Total recognised GAIN for the financial year		1,012	(645)
Opening reserves funds (as restated)		(5,639)	(4,995)
		<hr/>	<hr/>
Closing reserves funds		(4,627)	(5,639)
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Pensions

FRS17 'Retirement Benefits' – The Pension fund is currently in a deficit position but has reduced from £7.4m in 2006 to £6.3m in 2007. The pension charge is influenced by the investment return of equities and corporate bonds, which exist at the start of the reporting period and therefore leads to some volatility in earnings

	2007 £000	2006 £000
Deficit in the Scheme	(7,248)	(6,511)
Service Costs	(1,464)	(1,224)
Contribution	899	816
Finance Costs	(79)	(138)
Past Service Costs	0	651
Actuarial Gain	1562	(842)
	<hr/>	<hr/>
Deficit Scheme	(6,330)	(7,248)
	<hr/>	<hr/>

The latest full valuation of the Connexions Lancashire Limited defined benefit pension scheme was carried out at 31st March 2007. At that date, the scheme had a deficit of £6,330,000

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Goodwill and negative goodwill

Goodwill arises on the difference between the fair value of the consideration paid for a business and the fair value of the assets and liabilities acquired

Negative goodwill, where the fair value of the acquired assets and liabilities is greater than the consideration is included within fixed assets and released to the income and expenditure account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered whether through depreciation or sale. Negative goodwill arising on the acquisition of monetary assets is written off in the period of acquisition

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Fixtures and fittings	-	20% per annum
Computer Equipment	-	33% per annum
Premises	-	25% per annum on cost
Buildings	-	4% per annum on cost (over 25 years)

No depreciation is provided on freehold land

Notes (continued)

1 Accounting policies (continued)

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the income and expenditure account over the estimated useful economic lives of the assets to which they relate

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Please note due to Vehicle write off the future obligations outstanding has been written off which has generated a profit of disposal £3k. Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on Profit Chargeable to Tax of £159k for the year.

Turnover

Income represents funds received and receivable from DFES and other sources to finance careers guidance programmes and administrative expenses, together with donations and self generated funds.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Notes (continued)

2 Notes to the income and expenditure account

	2007 £000	2006 £000
<i>Profit/[loss] on ordinary activities before taxation is stated after charging/(crediting:)</i>		
Depreciation	481	750
Hire of plant and machinery - operating leases	532	521
	<u> </u>	<u> </u>

Auditors' remuneration

	2007 £000	2006 £000
Audit	30	14
Other services - fees receivable by the auditors and their associates	14	31
	<u> </u>	<u> </u>
	44	45
	<u> </u>	<u> </u>

3 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	74	73
Directors' pension contributions	7	7
	<u> </u>	<u> </u>
Total	81	80
	<u> </u>	<u> </u>

The non-executive directors do not receive any remuneration for their services

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Management and administration	420	478
	<u>420</u>	<u>478</u>

The aggregate payroll costs of these persons were as follows

	2007	2006
	£000	£000
Wages and salaries	7,864	7,461
Social security costs	2,932	2,744
Other pension costs	1,395	1,324
	<u>12,191</u>	<u>11,529</u>

5 Other interest receivable and similar income

	2007	2006
	£000	£000
Bank interest	(91)	(62)
	<u>(91)</u>	<u>(62)</u>

6 Interest payable and similar charges

	2007	2006
	£000	£000
On all other loans	1	2
	<u>1</u>	<u>2</u>

Notes (continued)

7 Taxation

Analysis of charge in period

	2007 £000	2006 £000
UK Corporation Tax	37	20
Adjustments in respect of prior periods	(3)	(3)
	<hr/>	<hr/>
	34	17
	<hr/>	<hr/>

Current tax reconciliation

	2007 £000	2006 £000
Surplus on ordinary activities before tax	194	100
	<hr/>	<hr/>
Surplus on ordinary activities before taxation multiplied by the standard rate of tax in the UK at 19%	37	20

Effects of

Non taxable income net of expenditure		
Adjustment in respect of prior years	(3)	(3)
	<hr/>	<hr/>
Total current tax charge (see above)	34	17
	<hr/>	<hr/>

The taxation charge arises from the provision of commercial services and interest received during the course of the year

Notes (continued)

8 Intangible fixed assets

	Negative goodwill £000	Total £000
Cost or valuation		
At beginning of year	(190)	(190)
Additions		
Disposals		
	<hr/>	<hr/>
At end of year	(190)	(190)
	<hr/>	<hr/>
Amortisation		
At beginning of year		
Charged in year	19	19
Impairment losses		
Reversal of past impairments		
On disposals		
Transfers between items		
	<hr/>	<hr/>
At end of year	(171)	(171)
	<hr/>	<hr/>
Net book value		
At 31 March 2007	(171)	(171)
	<hr/>	<hr/>
At 31 March 2006	(190)	(190)
	<hr/>	<hr/>

No Consideration was paid for the acquisitions of the trade and assets of Careers Service Lancashire Area West Limited and East Lancashire Careers Service Limited during the year ended 31 March 2003

Negative goodwill arising on the acquisitions has been capitalised. Negative goodwill arising from the purchase of monetary assets amounting to £923,000 was written off in the prior period and that arising from the purchase of fixed assets has been written off in line with depreciation charged in the year.

Notes (continued)

9 Tangible fixed assets

	Finance Lease Vehicle £000	Land and buildings £000	Premises £000	Furniture and equipment £000	Computer £000	Total £000
<i>Cost for valuation</i>						
At beginning of year	18	161	1 394	1,189	2,559	5 321
Additions	6	0	148	23	183	360
Disposals	(18)					(18)
At end of year	6	161	1 542	1 212	2 742	5 663
<i>Depreciation</i>						
At beginning of year	6	39	790	905	2 161	3,901
Charge for year	4	7	167	86	217	481
Charge on Disposals	(10)					(10)
At end of year	0	46	957	991	2 378	4 372
<i>Net book value</i>						
At 31 st March 2007	6	115	585	221	364	1,291
At 31 st March 2006	12	122	604	284	398	1 420

The net book value of land and buildings comprises

	2007 £000	2006 £000
Freehold	-	-
Long leasehold	115	122
Short leasehold	-	-
	115	122

10 Debtors

	2007 £000	2006 £000
Trade debtors	505	2 952
Prepayments & accrued income	270	933
Other taxes and social security	31	0
	806	3,885

All debtors are due within one year

Notes (continued)

11 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	734	1 538
Other creditors including Taxation and social security		
Corporation tax	34	17
Other taxes and social security (see Debtors note 10)	0	657
Accruals and deferred income	1,934	2 869
Provision for Restructure	630	250
	<u>3,332</u>	<u>5 331</u>

The provision for restructure relates to anticipated costs in relation to the transfer of some services from Connexions Lancashire Limited to the Local Authorities and the set up of the new infrastructure for CX Ltd. The costs relate to legal costs, premises, potential redundancies, set up costs and due diligence.

11a Creditors Amounts falling due after more than one year

	2007 £000	2006 £000
Obligations under finance leases and hire purchase contracts	0	14
	<u>0</u>	<u>14</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows

	2007 £	2006 £
Within one year	0	4
In the second to fifth years	0	10
Over five years	0	0
	<u>0</u>	<u>14</u>
Vehicle Written Off 2006	0	14

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligation are shown above. Please Note - This vehicle was written off in Autumn 2006 – thus lease written off resulting in a profit on disposal.

Notes (continued)

12 Movement on reserves

	Profit & Loss Account £000
As at 01 st April 2006 (as previously stated)	(5 639)
Prior year adjustment	0
Balance at 01 st April 2006 as restated	(5,639)
Surplus for the year	94
Actuarial Gain (being surplus in scheme at end of the year less amounts recognised in the income and expenditure account)	918
	<hr/>
Balance at 31 st March 2007	(4 627)
	<hr/>
	<hr/>
	2007 £000
	2006 £000
Profit & Loss Reserve excluding pension asset/liability	1,703
Pension asset/liability	(6,330)
	<hr/>
Income and expenditure reserve including pension liability	(4,627)
	<hr/>

13 Commitments

(a) Annual commitments under non-cancellable operating leases are as follows

	2007 Land and buildings £000	Other £000	2006 Land and buildings £000	Other £000
Operating leases which expire		0		
Within one year	24		73	0
In the second to fifth years inclusive	313		89	
Over five years	195		359	
	<hr/>	<hr/>	<hr/>	<hr/>
	532	0	521	0
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

14 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge (reduction 2007) (increase 2006) for the period represents contributions payable by the Company to the scheme and amounted to £918,000 (2006 £737,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to £ 899,000 (2006 £816,000) were payable to the scheme and are included in creditors.

The latest full actuarial valuation was carried out at 31/03/2007 and was updated for FRS 17 purposes to 31/03/07 and 31/03/2006 by a qualified independent actuary - Mercers Human Resourcing Consulting.

It has been agreed that an employer contribution rate of 11.3% of pensionable pay will apply in future years.

The major assumptions used in this valuation were:

	2007	2006	2005
Rate of increase in salaries	4.85%	4.65%	4.7%
Rate of increase in pensions in payment and deferred pensions	3.1%	2.9%	2.9%
Discount rate applied to scheme liabilities	5.4%	4.9%	5.4%
Inflation assumption	3.1%	2.9%	2.9%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2007 £000	Value at 2006 £000	Value at 2005 £000
Equities	16,880	15,410	12,168
Government Bonds	2,205	1,744	1,685
Other Bonds	3,282	3,751	2,808
Property	1,838	1,433	936
Other	2,047	1,553	1,124
Total market value of assets	26,252	23,891	18,721
Present value of scheme liabilities	(32,582)	(31,139)	(25,232)
(deficit) in the scheme – Pension (liability)	(6,330)	(7,248)	(6,511)
Related deferred tax (liability)/asset			
Net pension liability	(6,330)	(7,248)	(6,511)

Notes (continued)

14 Pension scheme (continued)

The expected rates of return on the assets in the scheme were

	Long term rate of return 2007	Long term rate of return 2006	Long term rate of return 2005
Equities	7.5%	7%	7.5%
Government Bonds	4.7%	4.3%	4.7%
Other Bonds	5.4%	4.9%	5.4%
Property	6.5%	6%	6.5%
Other	7.5%	7%	7.5%

Movement in surplus/deficit during the year

	2007 £000	2006 £000
Surplus/(deficit) in scheme at beginning of year	(7,248)	(6,511)
Current service cost	(1,464)	(1,224)
Contributions paid	899	816
Past service cost	0	651
Other finance income/(cost)	(79)	(138)
Actuarial gain/(loss)	1562	(842)
	<hr/>	<hr/>
Surplus/deficit in the scheme at the end of the year	(6,330)	(7,248)
	<hr/>	<hr/>

Analysis of other pension costs charged in arriving at operating profit/loss

	2007 £000	2006 £000
Current service cost	(1,464)	(1,224)
Past service cost	0	651
	<hr/>	<hr/>
	(1,464)	(573)
	<hr/>	<hr/>

Notes (continued)

14 Pension scheme (continued)

Gains/losses on settlements or curtailments, and previously unrecognised surplus deducted from the losses, recorded as non operating items totalled £644,000 debit (2006 £105,000 credit) respectively

Analysis of amounts included in other finance income/costs

	2007 £000	2006 £000
Expected return on pension scheme assets	1,486	1,261
Interest on pension scheme liabilities	(1,565)	(1,399)
	<u>(79)</u>	<u>(138)</u>

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £000	2006 £000
Actual return less expected return on scheme assets loss	(175)	2,981
Experience gains and losses arising on scheme liabilities loss	(250)	(894)
Changes in assumptions underlying the present value of scheme liabilities	1,987	(2,929)
	<u>1,562</u>	<u>(842)</u>

History of experience gains and losses

	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets				
Amount (£000)	1,720	1,720	1,965	(3,548)
Percentage of year end scheme assets	12.5%	5%	13%	(31)%
Total amount recognised in statement of total recognised gains and losses				
Amount (£000)	(842)	(653)	1,156	(5,490)
Percentage of year end present value of scheme liabilities	2.7%	3%	(6)%	(31)%

The Pension costs charged against income are based on an actuarial method and actuarial assumptions. These are designed to provide the anticipated pension cost over the average service lives of the employees in the scheme in a way that seeks to ensure that the regular pension cost represents a broadly level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions. Variations from the current cost are spread over the remaining service lives of current employees in the pension scheme. Connexions Lancashire has adopted the provisions of FRS17 'Retirement Benefits' in preparing these accounts.

Notes *(continued)*

15 Analysis of cash flows

	2007 £000	2007 £000	2006 £000	2006 £000
Returns on investment and servicing of finance				
Interest received	(91)		(62)	
Interest paid				
Interest element of finance lease rental payments	1		2	
	<u> </u>		<u> </u>	
		(90)		(60)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(360)		(191)	
	<u> </u>		<u> </u>	
		(360)		(191)
	<u> </u>		<u> </u>	
		(450)		(251)
Financing				
Capital element of finance lease rental payments	3		4	
	<u> </u>		<u> </u>	
		<u> </u>		<u> </u>

Notes (continued)

16 Analysis of net debt

	At 01 st April 2006	Cash flow	Other non cash Changes	At 31 st March 2007
	£000	£000	£000	£000
Cash	1,840	1,269		3,109

17 Post balance sheet events

As a result of changes across children's and youth services in England brought about by the responses to the Green Papers "Every Child Matters" in September 2003 and "Youth Matters" in July 2005, the Company and its Members have been considering future models for the delivery of the Connexions Services in the area.

Ernst & Young were commissioned to produce a cost benefit analysis report for the Company and Members to assess the options available to them which concluded that the quantitative analysis of the options suggested a future delivery model which involved a transfer of core Connexions Services back to the Councils, with a residual company being retained to deliver non-core services.

Lancashire and Blackpool have agreed this model for future service delivery, but that Blackburn with Darwen would like to continue with the existing model, whereby the Company continues to provide core Connexions Services in the area of Blackburn with Darwen. However, as a result of Blackburn with Darwen entering into a Local Area Agreement pilot, it has been agreed by the Company and Blackburn & Darwen that Connexions funding for the Borough will be pooled into the Local Area Agreement from 1st April 2006.

From 1st April 2007, arrangements have been entered into by the Company as follows:

- Staff from Connexions Lancashire Limited have TUPE'd to Lancashire County Council ("LCC") as at 1 April 2007. LCC have a separate agreement with Government Office North West ("GONW") and are responsible for the delivery of the Connexions service in the area of Lancashire with effect from 1 April 2007.
- Blackpool Borough Council ("BBC") has similarly received staff from Connexions Lancashire Limited under TUPE as at 1 April 2007. BBC too has responsibility for the delivery of the Connexions Service in the area of Blackpool from 1 April 2007 and have a separate agreement with GONW.
- Blackburn with Darwen ("BwD") has commissioned the full Connexions Service from the new company CX Limited trading as "CXL" with effect from 1 April 2007.

CX Limited T/A CXL

CXL has been set up to continue to deliver either the full Connexions Service as in the case for BwD or some elements of the Connexions Service as the case of LCC and BBC. This arrangement is via an agency agreement to be drawn up in the first quarter of 2007/08.

The Service Delivery Committee, a sub-committee of the Board which has delegated responsibility to ascertain the most effective model of delivery, has recommended that CX Ltd t/a CXL (successor to Connexions Lancashire Ltd) will have sufficient time to trade and make a success of the new structure. Initially, three years has been stipulated but this may be extended depending on the success of CX Ltd t/a CXL.

The transfer target date is the 1 April 2007 and will entail the full transfer of assets (including staff) and liabilities to both Lancashire County Council and Blackpool Borough Council. A full transfer agreement has been drawn up detailing the extent of the assets and liabilities that are to be transferred.

18 Pension Exit Debt

Connexions Lancashire Limited ('Connexions') is a company limited by Guarantee, which was set up by the three local authorities, Lancashire County Council ('LCC'), Blackpool Borough Council ('BBC') and Blackburn with Darwen Borough Council ('BwD'), to provide careers information, advice and guidance services ('the service') to young people between the ages of 13 and 19.

As a result of changes across children's and youth services in England brought about by the responses to the Green Papers 'Every Child Matters' in September 2003 and 'Youth Matters' in July 2005, Connexions and its Members have agreed to restructure the delivery of the Connexions Services in the Lancashire Area.

This decision has been made for the provision of the service to be performed by the three local authorities through different delivery models. As a consequence the trade and assets of Connexions have been transferred out. LCC and BBC have received the trade and assets relating to their share of the Connexions service, whilst the share relating to BwD has been transferred to a new company, CX Ltd, to deliver part of the Connexions Service in BwD and other contracts delivered on a cross county basis.

As a consequence of the restructuring of the delivery of the service, Connexions' position as an admission body under the Local Government Pensions Scheme ('LGPS') came to an end when its last employee left in June 2007. This in turn triggered an exit debt within the scheme ('the Exit Debt'). Unless steps were taken to prevent this occurrence the Exit Debt would fall liable to be paid as a lump sum immediately. Connexions is not in a position to fund this debt and therefore the three authorities had anticipated this and provided for it as follows:

1. Entering into an agreement (with the company) with the LGPS administering authority (with the support of its actuary) whereby the Exit Debt will be funded between them in their agreed proportions. This deficit will be paid not as a cash outlay but through an increased employer contribution rate with effect from 1 April 2008.
2. Entering into an agreement with the company to extend the scope of their guarantee to cover the Exit Debt ('the Further Guarantee') from the position in the existing Members Agreement which provides for underwriting of unpaid debts on dissolution or winding up.

The anticipated Exit Debt will amount to approximately £3m and each of the three local authorities have agreed to absorb this in the following proportions:

LCC	55%
BBC	22.5%
BwD	22.5%

No actual cash will be received by Connexions from the three LA's, however, the benefit Connexions will accrue will equate to the full value of the Exit Debt and this will be treated as a capital contribution and accounted for as follows:

Debit - Pension Reserve
Credit - Pension Liability

19 Ultimate controlling party and related party disclosures

The Company is owned by Lancashire County Council, Blackpool Borough Council, Blackburn with Darwen Borough Council and Lancashire Council for Voluntary Youth Service. It is also governed by the financial regulations set out by the Government Office for the Northwest (main funding provider). Lancashire County Council is the accountable body for this funding.

During the course of the year there were no related party transactions other than on an arms length basis.

20 InTrain

InTrain Ltd is a training organisation offering training and ongoing professional development across the north west and nationally. It has particular expertise in information, advice and guidance. The company was owned by four companies, these being Connexions Lancashire Ltd, Connexions Cheshire & Warrington, Better Choices (part of Manchester Solutions group of companies) and Positive Futures (the Careers Service serving Wigan).

Connexions Lancashire Ltd has supported InTrain Ltd since 1995. During 2006 the four shareholder of InTrain Ltd expressed a wish to sell the company to the highest bidder. However, the shareholders agreement between the four companies stipulated that in the first instance the bidding can only be made by the existing owners. Only if no bid was forthcoming would the bidding process extend to external bidders.

As a result of this Connexions Lancashire Ltd and Better Choices complied with the due process set up by independent solicitors and put forward a competitive bid for InTrain Ltd. Better Choices put in the highest bid of £110,000.00 and were therefore the successful bidder. To conclude matters and in accordance with the bidding process the successful bidder would pay the other parties a third of the value of the bid in return for the remaining shares of InTrain Ltd.

Connexions Lancashire Ltd received a sum of £36,666.66 in March 2007. This amount has been accounted for in the accounts to 31 March 2007 together with the respective tax liability.