Connexions Lancashire Limited (Limited by Guarantee)

Directors' report and financial statements

Registered number 4372277

Year Ending 31 March 2008

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2008.

Principal activities

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 considered future models for the delivery of the Connexions Services in the area.

Following a detailed review and analysis it was agreed that in both Lancashire and Blackpool the delivery of the Connexions Service would be transferred to the local authorities and in Blackburn with Darwen the Connexions Service would be delivered by CXL; a new company.

From 1st April 2007, arrangements were as follows:

- Staff from Connexions Lancashire Limited have TUPE'd to Lancashire County Council ("LCC") as at 1st 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 1st April 2007.
- Blackpool Borough Council ("BBC") has similarly received staff from Connexions Lancashire Limited under TUPE as at 1st 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 1st April 2007.

There will be a full transfer of remaining assets and liabilities to both Lancashire County Council and Blackpool Borough Council. A full transfer agreement has been drawn up retailing the extent of the assets and liabilities that are to be transferred.

As a result, Connexions Lancashire Limited has not been trading for the year ended 31st March 2008. The income generated mainly is by way of bank interest earned on the balance remaining in the bank account.

Transfer to reserves and proposed dividend

The directors do not propose to pay a dividend for the year ended 31st March 2008.

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 drawn up in 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 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 CXL.

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)
JM Goffee	(appointed 27 March 2002, Resigned 23 July 2008)
D Sanders	(appointed 1 April 2002)
H Catherall	(appointed 28 November 2002)
C Memmott	(appointed 27 March 2002)
P Jefferson	(appointed 24 January 2006, Resigned 23 July 2008)
D Lund	(appointed 12 September 2007)
Helen Denton	(appointed 23 July 2008)
Graham Dunn	(appointed 23 July 2008)

Company Secretary

IM Fisher – Company Secretary	(appointed 12 February 2002)

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 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

Director

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 of the company 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; and
- 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.

KPMG

Independent auditors' report to the members of Connexions Lancashire Limited (Limited by Guarantee)

We have audited the financial statements of Connexions Lancashire Ltd for the year ended 31 March 2008 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 3.

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 judgements 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.

Independent auditors' report to the members of Connexions Lancashire Limited (Limited by Guarantee) *(continued)*

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 31 March 2008 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

27 JANUARY 2009

KPMG LLP
Chartered Accountants
Registered Auditor
St James' Square
Manchester
M2 6DS

Income and expenditure account

for the year ending 31st March 2008

	Note	2008 £	2007 £
Turnover		**4,816**	22,306,000
Cost of sales	*4*	**-**	(12,191,000)
Gross surplus		**4,816**	10,115,000
Administrative expenses		**(46,759)**	(10,740,000)
Operating surplus/(deficit)		**(41,943)**	(625,000)
Other interest receivable and similar income	*5*	**88,205**	91,000
Other finance income (negative goodwill)	*8*	**171,000**	19,000
Interest payable and similar charges	*6*	**(5,600)**	(1,000)
Profit/(loss) on ordinary activities before taxation		**211,662**	(516,000)
Tax on profit on ordinary activities	*7*	**(16,725)**	(34,000)
Profit/(loss) on ordinary activities after taxation		**194,937**	(550,000)
Profit/(loss) for the financial year		**194,937**	(550,000)

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Balance Sheet
as at 31st March 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Intangible assets		-		(171,000)	
Tangible assets		-		1,291,000	
			-		1,120,000
Current assets					
Debtors	10	**500,000**		806,000	
Cash at bank and in hand		**2,066,722**		3,109,000	
		2,566,722		3,915,000	
Creditors: amounts falling due within one year	*11*	**668,785**		3,332,000	
Net current assets	*11*		**1,897,937**		583,000
Total Assets less Current Liabilities			**1,897,937**		1,703,000
Creditors: amounts falling due after more than one year	*11a*		-		-
Net assets excluding pension liabilities			**1,897,937**		1,703,000
Net pension surplus/(deficit)			-		(6,330,000)
Net surplus/(deficit) including pension liability			**1,897,937**		(4,627,000)
Capital and reserves					
Income & expenditure account	*12*		**1,897,937**		(4,627,000)

These financial statements were approved by the board of directors on 14/11/08 and were signed on its behalf by:

D Sanders
Chairman

Cash Flow Statement

for the year ended 31st March 2008

	Note	2008		2007	
		£	£	£	£
Net cash inflow from operating activities (see below)			**(1,089,968)**		1,565,000
Returns on investments and servicing of finance					
Interest received	*14*	**88,205**		91,000	
Interest paid	*14*	**(5,600)**		(1,000)	
			82,605		90,000
			(1,007,363)		1,655,000
Taxation					
Corporation tax paid	*14*		**(34,000)**		(23,000)
Capital expenditure	*14*		**(915)**		(360,000)
Net Cash outflow before financing			**(1,042,278)**		1,272,000
Financing	*14*		-		(3,000)
Net increase/(decrease) in cash			**(1,042,278)**		1,269,000

	2008	2007
	£	£
Reconciliation of operating profit to net cash flow from operating activities		
(not forming part of the primary statements)		
Operating Surplus/(deficit) before taxation	**211,662**	(516,000)
Amortisation of negative goodwill	**(171,000)**	(19,000)
Depreciation charges	-	481,000
Decrease in debtors	**306,000**	3,079,000
Decrease in creditors	**(1,354,025)**	(2,104,000)
Interest receivable	**(88,205)**	(91,000)
Interest payable	**5,600**	1,000
Less net loss on pension scheme	-	644,000
	(1,089,968)	1,565,000

Statement of Total Recognised Gains and Losses

for the year ending 31st March 2008

	2008 £	2007 £
Profit/(Loss) for the financial year	**194,937**	94,000
Charge to P&L for the year: net gain/(loss) on pension scheme	-	(644,000)
	194,937	(550,000)
Actuarial gain recognised in the pension scheme	-	1,562,000
Total recognised gains and losses relating to the year	**194,937**	1,012,000

Reconciliation of Movement on Reserves funds

for the year ending 31st March 2008

	2008 £	2007 £
Total recognised GAIN for the financial year	**194,937**	1,012,000
Capital contribution	**6,330,000**	-
Opening reserves funds	**(4,627,000)**	(5,639,000)
Closing reserves funds	**1,897,937**	(4,627,000)

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.

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.

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.

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

	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	-	481,000
Hire of plant and machinery - operating leases	-	532,000

Auditors' remuneration:

	2008 £	2007 £
Audit	**10,000**	30,000
Other services - fees receivable by the auditors and their associates	-	14,000
	10,000	44,000

3 Remuneration of directors

	2008 £	2007 £
Directors' emoluments	-	74,000
Directors' pension contributions	-	7,000
Total	-	81,000

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

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	
	2008	2007
Management and administration	**Nil**	420
	Nil	420

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and salaries	-	7,864,000
Social security costs	-	2,932,000
Other pension costs	-	1,395,000
	-	12,191,000

Notes *(continued)*

5 Other interest receivable and similar income

	2008 £	2007 £
Bank interest	**88,205**	91,000
	88,205	91,000

6 Interest payable and similar charges

	2008 £	2007 £
On all other loans	**5,600**	1,000
	5,600	1,000

7 Taxation

Analysis of charge in period

	2008 £	2007 £
UK Corporation Tax	**16,725**	37,000
Adjustments in respect of prior periods	-	(3,000)
	16,725	34,000

	2008 £	2007 £
Current tax reconciliation		
Surplus on ordinary activities before tax	**88,205**	194,000
Surplus on ordinary activities before taxation multiplied by the standard rate of tax in the UK at 19%	**16,725**	37,000
Effects of:		
Non taxable income net of expenditure	-	-
Adjustment in respect of prior years	-	(3,000)
Total current tax charge (see above)	**16,725**	34,000

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 £	**Total £**
Cost or valuation		
At beginning of year	(190,000)	**(190,000)**
Additions	-	-
Disposals	-	-
At end of year	(190,000)	**(190,000)**
Amortisation		
At beginning of year	19,000	**19,000**
Charged in year	171,000	**171,000**
On disposals	-	-
At end of year	190,000	**190,000**
Net book value		
At 31st March 2008	-	-
At 31st March 2007	(171,000)	**(171,000)**

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 31st 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 previous years.

The remaining negative goodwill has been written off in the year as part of the distribution of assets and liabilities to the Members.

Notes *(continued)*

9 Tangible fixed assets

	Finance Lease Vehicle	Land and buildings	Premises	Furniture and equipment	Computer	**Total**
	£	£	£	£	£	**£**
Cost or valuation						
At beginning of year	5,895	160,955	1,542,759	1,212,000	2,742,000	**5,663,609**
Revaluation reserve	-	129,695	-	-	-	**129,695**
Additions	-	-	915	-	-	**915**
Disposals – Urban Exchange	-	-	(399,738)	(54,760)	(78,849)	**(533,347)**
Disposals – Local Authorities and CXL	(5,895)	(290,650)	(1,143,936)	(1,157,240)	(2,663,151)	**(5,260,872)**
At end of year	-	-	-	-	-	-
Depreciation						
At beginning of year	-	46,150	955,521	991,118	2,378,344	**4,371,133**
Charge for year	-	-	-	-	-	-
Charge on disposals- Local Authority	-	(46,150)	(763,457)	(967,142)	(2,326,335)	**(4,103,084)**
Charge on disposals – Urban Exchange	-	-	(192,064)	(23,976)	(52,009)	**(268,049)**
At end of year	-	-	-	-	-	-
Net book value						
At 31st March 2008	-	-	-	-	-	-
At 31st March 2007	5,895	114,805	587,238	219,439	363,495	**1,290,872**

The net book value of land and buildings comprises

	2008	2007
	£	£
Freehold	-	-
Long leasehold	-	115,000
Short leasehold	-	-
	-	115,000

10 Debtors

	2008	2007
	£	£
Trade debtors	-	505,000
Loan to CXL	**500,000**	-
Prepayments & accrued income	-	270,000
Other taxes and social security	-	31,000
	500,000	806,000

All debtors are due within one year

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	-	734,000
Other creditors including Taxation and social security:	(536)	-
Corporation tax	16,725	34,000
Other taxes and social security (see Debtors note 10)	-	-
Accruals and deferred income	652,596	1,934,000
Provision for Restructure	-	630,000
	668,785	3,332,000

The provision for restructure related 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 related to legal costs, premises, potential redundancies, set up costs and due diligence.

11a Creditors: Amounts falling due after more than one year

	2008 £	2007 £
Obligations under finance leases and hire purchase contracts	-	-
	-	-

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

	2008 £	2007 £
Within one year	-	-
In the second to fifth years	-	-
Over five years	-	-

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligation are shown above.

Notes *(continued)*

12 Movement on reserves

	Profit & Loss Account £
Balance at 1st April 2007	**(4,627,000)**
Surplus for the year	**194,937**
Capital contribution arising from transfer of pension liability	**6,330,000**
Balance at 31st March 2008	**1,897,937**

	2008 £	2007 £
Profit & Loss Reserve excluding pension asset/liability	**1,897,937**	1,703,000
Pension asset/liability	-	(6,330,000)
Income and expenditure reserve including pension liability	**1,897,937**	(4,627,000)

As a result of the transfer of trade and assets to the three local authorities on 1st April 2007 the closing adjustments to the pensions scheme deficit resulted in writing back the deficit as per the FRS 17 of £6,330,000 and treating the contributions made by the three local authorities as equity in accordance to FRS 4. The contributions were in the following proportions; Lancashire County Council 55%, Blackburn with Darwen Borough Council 22.5%, Blackpool Council 22.5%.

13 Commitments

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

	2008		2007	
	Land and Buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	-	-	24,000	-
In the second to fifth years inclusive	-	-	313,000	-
Over five years	-	-	195,000	-
	-	-	532,000	-

Notes *(continued)*

14 Analysis of cash flows

	2008 £	£	2007 £	£
Returns on investment and servicing of finance				
Interest received	88,205		91,000	
Interest paid	(5,600)		-	
Interest element of finance lease rental payments	-		(1,000)	
		82,605		90,000
Taxation				
Corporation tax paid	(34,000)		(23,000)	
		(34,000)		(23,000)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(915)		(360,000)	
		(915)		(360,000)
Financing				
Capital element of finance lease rental payments	-		(3,000)	
		-		(3,000)

Notes *(continued)*

15 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.