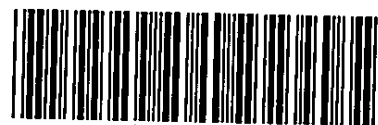


**LEARNING AND SKILLS NETWORK**  
**ANNUAL REPORT**  
**AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2010**

TUESDAY



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**LEARNING AND SKILLS NETWORK**  
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**YEAR ENDED 31 MARCH 2010**

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**LEARNING AND SKILLS NETWORK  
LEGAL AND ADMINISTRATIVE INFORMATION  
YEAR ENDED 31 MARCH 2010**

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**BOARD OF TRUSTEES**

<b>NAME</b>	<b>DATE APPOINTED</b>	<b>DATE RESIGNED</b>
Christopher Hughes CBE (Chair)	2 <sup>nd</sup> March 2006	
Kay Baldwin-Evans	8 <sup>th</sup> July 2010	
Christopher Blythe	2 <sup>nd</sup> March 2006	
Tom Bewick	7 <sup>th</sup> October 2008	
Sally Dicketts	8 <sup>th</sup> July 2010	
Geoff Hall	7 <sup>th</sup> October 2008	27 <sup>th</sup> January 2010
Kate Griffin	27 <sup>th</sup> March 2006	
Ardi Kolah	8 <sup>th</sup> July 2010	
Dr Ann Limb	8 <sup>th</sup> July 2010	
Stella Mbubaegbu CBE	7 <sup>th</sup> October 2008	
William Stokoe	28 <sup>th</sup> March 2006	
Carla Stent	8 <sup>th</sup> July 2010	
Professor Michael Thorne	17 <sup>th</sup> April 2006	
Sharon White	25 <sup>th</sup> April 2006	8 <sup>th</sup> September 2009
Christine Whatford CBE	2 <sup>nd</sup> May 2006	

**AUDIT COMMITTEE**

Kate Griffin (Chair), Christopher Blythe, William Stokoe & David Marshall (External member)

**REMUNERATION COMMITTEE**

Christopher Blythe (Chair), Professor Michael Thorne & Christine Whatford CBE

**ACQUISITIONS COMMITTEE**

Christopher Hughes (Chair), Christopher Blythe, Bill Stokoe & Christine Whatford CBE

**LEARNING AND SKILLS NETWORK**  
**LEGAL AND ADMINISTRATIVE INFORMATION (CONTINUED)**  
**YEAR ENDED 31 MARCH 2010**

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<b>EXECUTIVE TEAM:</b>	John Stone (Chief Executive) Colin Kerr (Chief Operating Officer) Martin Spencer (Commercial Director, Sarah Lane (Director Organisational Development) Raj Patel (Director Research and Policy) Alan Goulbourne (Director People and Services) Stephen Bartle (Business Development Director) Trevor Carson (Northern Ireland Director) Suzie Webb (Director, Marketing and Development) appointed 1 <sup>st</sup> February 2010 Sarah Swann (Director Information Services) appointed 14 December 2009 Neil Flynn (Sales Director) appointed 1 <sup>st</sup> June 2010 Edward Hosey (Interim HR Director) appointed 12 <sup>th</sup> July 2010 Chris Reynolds (Interim Director Sales and Product Development resigned 24th Dec 2009)
<b>BANKERS.</b>	Lloyds TSB PLC 24 Broad Street Reading RG1 2BT
<b>SOLICITORS:</b>	Pritchard Englefield 14 New St London EC2M 4HE
<b>REGISTERED AUDITORS:</b>	Crowe Clark Whitehill LLP St Brde's House 10 Salisbury Square London EC4Y 8EH
<b>REGISTERED OFFICE:</b>	Fifth Floor, Holborn Centre 120 Holborn London EC1N 2AD
<b>CHARITY NUMBER:</b>	1113456
<b>COMPANY NUMBER:</b>	5728105
<b>CONSUMER CREDIT LICENCE NUMBER</b>	637998/1

# **LEARNING AND SKILLS NETWORK**

## **TRUSTEES' ANNUAL REPORT**

### **YEAR ENDED 31 MARCH 2010**

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#### **Structure, Governance and Management**

The Trustees, who are legal members and also directors of the company for the purposes of the Companies Act, submit their annual report and audited Financial Statements for the year ended 31 March 2010

LSN is a company limited by guarantee, with charitable status, established in 2006. It is governed by Memorandum and Articles of Association which were last amended in June 2007. The mission of LSN is to promote excellence in learning and skills through the provision of research, development and training services. It aims to maximise public benefit through developing expertise with partners to enhance the learning experience for all those who seek to improve their education, skills and knowledge in any field.

Existing trustees appoint new trustees ensuring that new trustees have the skills and knowledge to complement and contribute to the overall skills of the board to meet all identified needs. All new trustees have an induction with the Executive team to understand LSN and are given external training as appropriate. Trustees meet six times annually and delegate day to day operations of the charity to the Chief Executive and Executive team. There are specific trustee committees to cover Audit, Remunerations and Acquisitions which are supported by members of the Executive team.

#### **Objects**

LSN has two objects

- to develop the performance and skills of the education sector staff in general
- to promote and encourage the education, learning and skills of people and organisations by providing flexible and innovative solutions

#### **Review of Activities and Future Developments**

The Statement of Financial Activities for the year is set out on page 13 of the Financial Statements. A summary of the financial results and the work of LSN are set out below.

LSN has two wholly owned subsidiaries, LSN Ltd, which is dormant and has not traded in the year and Learning Resources International Ltd which is now dormant (see Note 16).

#### **Acquisitions**

Towards the end of the financial year, LSN acquired three businesses, at an investment cost of £8.87m, of which £7.46m was goodwill. A further £3.375m of goodwill has been accrued in terms of future consideration – see Note 19.

The details of the acquisitions are set out in Note 18, but the strategic objective was to take advantage of the balance sheet strength of LSN (see the section on Reserves, below) and use a major portion of the cash balances to invest in successful businesses which could consolidate LSN's income at a time of continued reduction in revenue streams from what had been LSN's core business areas.

The three businesses (FE Associates, LRI and Connections (Oxford)) have been brought into the charitable sector and legal advice was taken to ensure that the operations of each of the three entities was consistent with LSN's charitable objectives. The three companies are expected to generate circa £12m in annual revenues and to provide opportunities for synergy with existing LSN services, particularly on Leadership, College Mergers and Shared Services.

The acquisitions should be seen in the wider context of the new financial strategy, set out below.

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2010**

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**Financial Review  
Income Generation**

The income of LSN decreased from £35.2M (adjusted from last year, see Note 21) to £27.5M in 2009/10, reflecting a continuing reduction in contracts from Government departments

Major Programmes delivered successfully in 2009/10 included in the income in the year comprised

- 14-19 Diplomas (with SSAT)	£8.7M
- Triple Science for DCSF	£2.5M
- Northern Ireland for DEL	£2.2M
- Acquisitions (from January 2010)	£2.0M

The new financial strategy in 2009 has resulted in

- the acquisition of three businesses in the year at a cost of £8.87M
- a merger in July 2010 with a charity (National Extension College)
- the joint management of Reading College from August 2010
- the establishment of a Shared Service programme for colleges

All of these will generate a significant increase in income in 2010/11

**Financial Surplus**

During the 2008/09 new systems were implemented and the estimation of costs to complete projects and the associated deferred income was reviewed. As a result of this some previous amounts of deferred income and cost accruals were released. This increased the surplus for that year by £8.5M.

Excluding this release, the surplus for 2008/09 would have been £1.2M and on a comparable basis, the surplus for 2009/10 was £1.7M, an increase of £0.5M.

**Reserves**

The Reserve Policy was reviewed by the Trustees in November 2009 and has been updated to reflect specific purposes and commercial risks. Under the policy, the reserve requirement for 2009/10 was £15.8M and total funds at 31<sup>st</sup> March 2010, excluding the pension deficit, were £25.5M. Free Reserves, defined as unrestricted funds less Fixed and Intangible assets, were £11.2M.

The FRS 17 pension deficit increased from £5.2M to £7.9M, reflecting deeper discounting of future liabilities in the current recession. Actuarial advice has been taken by the board and employer contribution levels have been increased to ensure that the deficit will be eliminated in 10 years.

LSN invested in a policy 'Think Tank' which was created by the Research team in 2009 and will be operated by senior managers and selected external representatives to examine future education issues and policies. This unfunded research will be met by using this £1M designated reserve to provide funding for this work for up to 2 more years work.

**Achievement and Performance**

In accordance with SORP 2005, LSN reports here a summary of the key strategic importance indicators used to assess LSN's achievements and performance.

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2010**

<b>Performance Indicator</b>	<b>Target</b>	<b>2009/10 Actual</b>	<b>2008/09 Actual</b>
Major programmes on target			
-Diploma Support	Yes	Yes	Yes
-Triple Science	Yes	Yes	Yes
Interim Utilisation (FE Associates)	80%	80%	n/a
Internal Customer Satisfaction Survey*	3 0	2 4	2 6
Associates Satisfaction Survey*	3 0	1 88	2 50
Complaints	Nil	2	7
Income variance against budget	Nil	(£12 5M)	(£7 3M)
Surplus variance against budget	Nil	+£2 6M	+£0 3M
Cash balances held	£16 7M	£15 9M	£31 3M
Employee Engagement*	3 0	2 2	2 2
New business generated	-	£2 3M	£3 0M
Ethnic diversity of workforce	18%	16 7%	23 6%
Funded establishment growth	-	+70	+1
Staff training days/person	2	1 0	4 8
Vacancies (at March 31st)	30	22	35
Staff turnover %	15%	27 4%	24 5%
Staff sickness %	2%	1 1%	1 5%
*Analysis 1-5 where 1 is high			

These KPIs are reviewed by LSN's management team on a monthly basis. The key figures to highlight are

- Successful delivery of the main programmes
- In spite of reductions in income, due to programmes either ceased or lost through competitive tender, LSN's target bottom line surplus was achieved, through tight management of costs
- The year end cash was half the balance of the previous year, reflecting the commercial acquisitions and the unwinding of some significant deferred income balances from March 2009
- The various satisfaction surveys all scored above target (LSN uses a scale of 1 to 5, 1 being high)

Between December 2009 and February 2010, LSN acquired the assets of three entities

- FE Associates, in Taunton – an interim management company working in the Further Education sector
- Connections (Oxford) based in Standlake, Oxfordshire, a leadership consultancy
- Learning Resources International (LRI) based near Milton Keynes – a software development and licensing consultancy

Details of these acquisitions are set out in Note 18 to these accounts

# **LEARNING AND SKILLS NETWORK**

## **TRUSTEES' ANNUAL REPORT (CONTINUED)**

### **YEAR ENDED 31 MARCH 2010**

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#### **Plans for future periods**

The planning for 2010 was undertaken against a backdrop of deteriorating prospects for public sector funding and the knock on uncertainties affecting the institutions and organisations with which LSN has historically done the majority of its business

LSN's response has been to continue to accelerate the process of diversification which forms an important aim of its long term strategy

The key developments in hand are

- The addition of a private sector strand
- Positioning LSN closer to the point of delivery, e.g. the proposed joint venture in Reading College
- Clarifying and extending the LSN "propositions" including a major new initiative in Shared Services
- A targeted programme of acquisitions

LSN is monitoring developments at LSIS closely as their strategy and procurement policy continues to evolve. It is likely that a significant volume of tender opportunities will be on offer, at least during the forthcoming year, but these are likely to be offered on a regional basis and with an emphasis on direct sector involvement in delivery. In anticipation of these developments, LSN has developed a regional team and staff secondment system which should enable it to continue to compete for work in this area.

LSN is increasingly aware of its own strengths in a complex and rapidly changing market place. First and foremost LSN values the flexibility and relative security it derives from its independence from Government and from the profit expectations of the private sector. LSN has substantial reserves whilst its charitable not for profit status is helping underpin trust in its propositions in the market place.

LSN's pedigree as a successor to government improvement agencies also serves to reassure its customers, both at home and abroad.

LSN has remodelled its staff and Executive Team and now has the organisational capability to respond effectively to changes in demand for its services. A strong customer focused culture is emerging whilst its sales capacity is improving.

LSN's standing in Thought Leadership has received a considerable boost through the launch of the Centre for Innovation in Learning, while its new branding has been well received, further consolidating its positive profile in Learning and Skills. As an organisation, LSN has shown exceptional agility and flexibility. It has developed a more professional and systematic approach to stakeholder relations and has maintained good relationships across a wide range of interests including YPLA, BIS, government ministers and their counterparts in opposition.

Leadership and Management will feature strongly in LSN's further growth and LSN will use its strong track record and increasing success in this area as a means of establishing its credentials in the wider public and private sectors. Increased investment in the Leadership and Management area of the business will ensure that LSN has the resources required to support the growth of this area of work and realise more fully its income generation potential in the coming year.

There will be a strong focus on building new partnerships and strategic alliances with organisations with complementary skills which will support and facilitate LSN's operations in our chosen markets. These partnerships will aim to deliver benefits for both parties and will be established to offer synergy to the market.

LSN will consider further key strategic acquisitions during 2011 giving close attention to organisations with particular functional capabilities such as web development as well as those with particular expertise or presence in its chosen markets. This would help LSN grow its client base and also to increase its income to a level in excess of previous achievements. LSN's aspiration for 2010/11 is an income of £50M which it will aim to grow year on year.



**LEARNING AND SKILLS NETWORK**  
**TRUSTEES' ANNUAL REPORT (CONTINUED)**  
**YEAR ENDED 31 MARCH 2010**

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A Shared Service offer (for the provision of HR, Finance, IT, MIS, Facilities and Marketing) will also be developed and this will offer LSN the opportunity for significant business growth. Additional resources will be secured once the market for this offer is at a significant level sufficient to warrant the investment in additional resources. This new proposition will be operated through the subsidiary company LSN Ltd which will commence operations in August 2010 with associated costs.

Both the acquisitions and Shared Services take LSN into new territory. These are business opportunities that bring with them immense opportunities to grow LSN and its subsidiaries for the future. However, it does not underestimate the level of investment that they will require and the level of risk that accompanies the opportunities. LSN will therefore proceed with due caution and a robust approach to risk management.

### **Risk Management**

The Corporate risk register was revised in 2009 and approved by the Audit Committee, which continues to monitor risk on behalf of the Board. The ten key risks identified for LSN are:

- Failure to maintain public profile
- Constraints on public spending
- Failure to secure existing contracts at re-tender
- Failure to achieve new market targets
- Inadequate marketing
- Inadequate governance and finance systems
- Inadequate project management and business development processes
- Information systems not fit for purpose
- Failure to generate income targets
- Maintenance of appropriate cash reserves

For each risk, a range of mitigating actions is in place, which is monitored monthly by the executive team. Risk is delegated by the trustees to the Audit Committee, who are advised by a professional internal audit team. The Trustees are satisfied adequate controls exist and that these are constantly reviewed to manage, and mitigate, risk.

### **Public Benefit**

The Trustees confirm that they have complied with the duty of section 4 of the Charities Act 2006 relating to public benefit and have considered the Charities Commission specific public benefit guidance on education, which forms the basis of the following review.

LSN has two charitable objects, one is "To promote the improvement, development and opportunities for development of the performance and skills of members of the teaching, management and other staff of the education, learning skills and children's services sectors in such a way that they are better able to be more effective and efficient in the development of the education, learning and skills of their pupils, students and other learners".

LSN's second object is to "promote the education, learning and skills of people and organisations" and we achieve this object in many different ways. For example the 'Molenet' contract providing students with mobile learning, providing Insight training for organisation's staff development with our acquisition Connections Oxford, e-learning solutions with our new acquisition LRI for staff training and development. All these ensure our object is met and available for the public in staff training and development. Our other acquisition FE Associates provides interim and project staff for FE colleges providing support and staff absence, again a public benefit to the students of those colleges.

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2010**

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The Charities Act 2006 (Section 2 2) identifies "the advancement of education" as a public benefit and this has to be in a planned manner as identified in our objectives. One of the guidance notes states that to advance education "means to promote, sustain and increase individual and collective knowledge and understanding of specific areas of study, skills and expertise". There is a clear match in LSN objectives and the Charities Act 2006 definitions. The trustees ensure that this identified purpose is carried out in LSN by delivering Government led and funded initiatives. These ensure that staff in the educational establishments such as colleges and schools, the teaching profession in general, and sometimes individual students specifically, are trained with the specific skills, knowledge and personal development that enables these people, as well as the schools, colleges, organisations and these Government initiatives, to be successful.

Additionally LSN undertakes original research into education and one other definition of education is "to increase public learning and knowledge about a particular subject". Often research activity creates new curriculums and training materials in new subjects to increase public knowledge in new areas, often resulting in new examination structures and school subjects - another example of the public benefit in education as part of LSN activity.

The structure of the Trustees' report above identifies our success in delivering the advancement of education in the major contracts we have operated in the year. In many contracts, we have created websites that are generally available for review and education by the public and teaching profession generally.

#### **Internal Control**

LSN maintains a system of internal controls and checks using the following tools

- A formal risk management strategy and policy approved by the Executive Team, delegated to the Audit Committee who report regularly to the Trustees
- A specialist outsourced internal audit team who report only to the Audit Committee on internal controls and who carry out an agreed programme of work on an annual basis. The Chief Executive attends the meetings annually where a review of the year's internal audit work is reviewed and a plan prepared and agreed for the next year
- LSN has a Quality team who prepare systems and procedures that document how LSN staff should operate its business and whose work is agreed at Executive team meetings. These systems and procedures are also audited. The most significant introduction this year has been a bespoke LSN project management framework based on Prince 2 methodology
- LSN has committed to the business standards and levels as shown in the following table

**LEARNING AND SKILLS NETWORK**  
**TRUSTEES' ANNUAL REPORT (CONTINUED)**  
**YEAR ENDED 31 MARCH 2010**

Name of Standard	Subject	Progress
ISO 27001	Information Security and Data Management	Standard achieved in June 2010
ISO 14001	Environmental Management System	Stage 1 assessment complete June 2010 Stage 2 scheduled for September 2010
ISO 18001	Occupational Health and Safety	Stage 1 achieved Jul 2010 Stage 2 due in November 2010
ISO 9001	Quality Management System	Gap analysis scheduled to commence November 2010
European Foundation for Quality Management (EFQM)	Quality framework	EFQM Committed to Excellence Achieved June 2008 Gap analysis completed July 2010 for next level of recognition
Investors in People	People development	Achieved and re-accreditation due in June 2011
Green 500	Carbon Footprint reduction	Silver award achieved in July 2010

- A clear and documented structure of approvals by financial levels and teams to approve financial orders and expenses electronically
- Clear bank mandates with signing level authority approved by trustees
- Regular monthly management accounts documenting financial performance against budget and contract that is flexed in line with operating experiences This is agreed on a monthly basis with the responsible manager and is reviewed by the Executive team monthly

A review of systems and procedures is a part of the annual statutory accounts undertaken by the external auditors which report to the Audit Committee As part of that process, an 'Audit findings' report is prepared by the external audit team for the Audit Committee which documents all issues found

The annual internal audit report included the conclusion that LSN "has a sound framework on control in the areas reviewed" on this basis, assurance can be derived formally that reliance can be placed on the systems of internal control in place at LSN

**LEARNING AND SKILLS NETWORK  
TRUSTEES' ANNUAL REPORT (CONTINUED)  
YEAR ENDED 31 MARCH 2010**

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**Statement of trustees' responsibilities**

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law

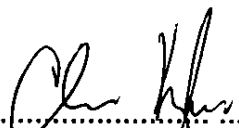
Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its net incoming resources for that period. In preparing these financial statements, the trustees are required 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, 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 charity will continue to operate

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

Insofar as each of the trustees of the company at the date of approval of this report is aware there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware. Each trustee has taken all of the steps that he/she should have taken as a trustee in order to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Approved by the Trustees on 5 October 2010 and signed on their behalf by

  
.....  
Trustee CHUGHES

## **Independent Auditor's Report to the Members of Learning and Skills Network**

We have audited the financial statements of Learning and Skills Network for the year ended 31 March 2010 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 21. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable 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 trustees and auditor**

The trustees' (who are also the directors of Learning and Skills Network for the purpose of company law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you if in our opinion the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charity's financial statements are not in agreement with those records, if we have not received all the information and explanations we require for our audit or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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 of the state of the charity's affairs as at 31 March 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the Trustees' Annual Report is consistent with the financial statements



Tina Allison  
Senior Statutory Auditor  
For and on behalf of Crowe Clark Whitehill LLP  
Statutory Auditor  
London

5 October 2010

**LEARNING AND SKILLS NETWORK**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 MARCH 2010**

Income and expenditure	Notes	2010 £'000 Unrestricted	2010 £'000 Designated	2010 £'000 Total	2009 £'000 Total
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
Investment income		415		415	1,481
Incoming resources from charitable activities					
Educational Research		1,499		1,499	1,863
Continuing Educational Programmes		23,868		23,868	39,059
Educational Programmes new Acquisition		1,657		1,657	-
Other income		49		49	152
<b>Total incoming resources</b>		<u>27,488</u>		<u>27,488</u>	<u>42,555</u>
<b>RESOURCES EXPENDED</b>					
<b>Charitable activities:</b>					
Educational Research	2, 3	2,314	331	2,645	2,856
Continuing Educational Programmes	2, 3	21,370		21,370	29,905
Educational Programmes new Acquisition		1,635		1,635	
<b>Governance</b>		<u>140</u>		<u>140</u>	<u>103</u>
<b>Total resources expended</b>		<u>25,459</u>	<u>331</u>	<u>25,790</u>	<u>32,864</u>
<b>Net Incoming Resources being the</b>					
Net income for the year		2,029	(331)	1,698	9,691
<b>Other recognised Gains and Losses</b>					
Pension scheme gain on a change basis		-		-	835
Pension scheme actuarial gain/(loss)	17	(2,485)		(2,485)	(1,653)
Capital Gain on Investments		<u>138</u>		<u>138</u>	
<b>Net movement in funds</b>		<u>(318)</u>	<u>(331)</u>	<u>(649)</u>	<u>8,873</u>
<b>Fund balances brought forward at 1 April 2009</b>		<u>17,316</u>	<u>885</u>	<u>18,201</u>	<u>9,328</u>
<b>Fund balances carried forward at 31 March 2010</b>		<u>16,998</u>	<u>554</u>	<u>17,552</u>	<u>18,201</u>

All operations are continuing

There are no recognised gains and losses for the period other than those stated above

The notes on pages 16 to 30 form part of these financial statements.

# LEARNING AND SKILLS NETWORK (COMPANY 5728105)

## BALANCE SHEET

31 MARCH 2010

	Notes	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>FIXED ASSETS</b>					
Tangible assets	8	2,066			1,137
Intangible assets	9	11,663			-
			<b>13,729</b>		<b>1,137</b>
<b>CURRENT ASSETS</b>					
Debtors	10	8,355		8,133	
Cash at bank and in hand		5,942		5,907	
Investments and deposits		10,036		25,144	
Total current assets		24,333		39,184	
<b>CREDITORS – Amounts falling due within one year</b>	11	<b>(10,141)</b>		<b>(14,438)</b>	
<b>NET CURRENT ASSETS</b>			<b>14,192</b>		<b>24,746</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>27,921</b>		<b>25,883</b>
<b>CREDITORS – Amounts falling due after more than one year</b>	12		<b>(2,172)</b>		<b>(396)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13		<b>(247)</b>		<b>(2,061)</b>
<b>NET ASSETS excluding pension fund deficit</b>			<b>25,502</b>		<b>23,426</b>
<b>Pension fund deficit</b>	17		<b>(7,950)</b>		<b>(5,225)</b>
<b>NET ASSETS</b>			<b>17,552</b>		<b>18,201</b>
<b>FUNDS</b>					
<b>Unrestricted funds:</b>					
General			24,948		22,541
Designated Fund			554		885
Pension Deficit	17		<b>(7,950)</b>		<b>(5,225)</b>
			<b>17,552</b>		<b>18,201</b>

Approved and authorised for issue by the Board of Trustees on 5 October 2010  
and signed on its behalf by

.....  
Trustee C. HUGHES.

The notes on pages 16 to 30 form part of these financial statements



**LEARNING AND SKILLS NETWORK**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £'000	2009 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	15a	(6,017)	934
<b>Returns on investments and servicing of finance:</b>			
Capital gain on investments		138	-
Interest received		<u>391</u>	<u>1,211</u>
Net cash inflow from returns on investments and servicing of finance		529	1,211
<b>Capital expenditure:</b>			
Purchase of tangible fixed assets		(1,210)	(377)
Investment in intangible assets		<u>(238)</u>	<u>-</u>
Net cash outflow from capital expenditure		(6,936)	(377)
<b>Acquisition expenditure</b>			
Purchase of three entities		(8,873)	-
Net working capital acquired		1,108	
Acquisition Costs of due diligence and integration costs		<u>(372)</u>	<u>(8,137)</u>
<b>Management of Liquid Resources</b>			
Reduction or (increase) in investments and deposits		<u>15,108</u>	<u>(24,353)</u>
Increase/(Decrease) in liquid cash in year	15c	<u>35</u>	<u>22,585</u>

The notes on pages 16 to 30 form part of these financial statements

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2010**

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**1. ACCOUNTING POLICIES**

**(a) Basis of preparation of the accounts**

The accounts have been prepared in accordance with the Companies Act 2006, the Statement of Recommended Practice 2005 (SORP 2005) *Accounting and Reporting by Charities*, applicable accounting standards and the historic cost convention of accounting except for the investments which are stated at the value on the balance sheet date

After making enquiries, the trustees have reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the Statement of Trustees Responsibilities on page 10

**(b) Recognition of income**

Income from educational programmes, commissioned research and other services rendered is included to the extent of the completion of the contract or the service rendered. Any amounts received in advance of work completed are treated as deferred income in creditors and any amounts to be invoiced for work completed are shown in debtors

All investment income from short term deposits is credited to the income and expenditure account in the period which it is earned

**(c) Tangible fixed assets**

Tangible fixed assets are stated at cost including any incidental expenses of acquisition and unrecovered VAT where appropriate. All assets costing more than £750 are capitalised

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives. Depreciation is charged from the month of acquisition or after the project is completed. The principal estimated useful lives for this purpose are

Computer equipment	- 3 years
Fixtures and Fittings	- 5 years
Leasehold Improvements	- Over the life of the lease

**(d) Intangible fixed assets**

Amortisation is calculated to write off the cost of intangible assets on a straight-line basis over their estimated period of benefit. The principal estimated lives for this purpose are

Goodwill from Acquisitions	-5 years
Product Development	- 5 years

**(e) Funds**

Funds which are expendable at the discretion of the Trustees in furtherance of the objectives or administration of the charity are classified as unrestricted funds

The trustees have placed funds for the costs of a Think Tank project into designated funds against which costs of the same are charged. LSN invests in a policy 'Think Tank'

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

which was created by the Research team in 2009 and will be operated by senior managers and selected external representatives to examine future education issues and policies. This unfunded research will be met by setting aside £1M into a designated reserve to provide funding for this work for up to 4 years work, commencing 2009.

**Expenditure**

- (f) All expenditure has been recognised on the accruals basis. Governance costs relate to costs of the governance arrangements of the charity and include the direct costs of Trustee committee meetings, audit fees and legal advice.

All other costs are the result of undertaking the work of the charity to meet its objectives and have been classified as resources expended on charitable activities. To the extent that VAT is irrecoverable the cost is included and identified separately within the contract or functional area to which it relates and where appropriate VAT on Fixed Assets is capitalised.

(h) **Pension costs**

Retirement benefits to employees of LSN are provided by the Teachers Pension Agency (TPA) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pensions Scheme. Contributions to the schemes are charged to the Income and Expenditure account so as to spread the cost of pensions over employees' working lives in such a way that the pension cost is a substantially level percentage of present and future payroll. The contributions are determined by independent qualified actuaries on the basis of triennial valuations using the projected units basis.

Any surplus or deficit in the Local Government Pension Scheme is included on the balance sheet as an asset or liability within the unrestricted funds in accordance with FRS17 as revised in December 2006.

(i) **Taxation**

No taxation is payable due to the charitable status of the organisation. No deferred tax needs to be provided as there are no tax timing differences.

(j) **Operating leases**

Operating lease costs are charged on a straight line basis over the lease term.

(k) **Support Costs**

Support costs are allocated on the basis of headcount in the operating teams.

**2. ALLOCATION OF SUPPORT COSTS**

	Educational Research £'000	Educational Programmes £'000	Total 2010 £'000	Basis of allocation
Human resources	131	656	787	Headcount
IT	107	531	638	Headcount
Facilities	254	1,264	1,518	Headcount
Finance	111	556	667	Headcount
Management	252	1,256	1,508	Headcount
<b>Total</b>	<b>855</b>	<b>4,263</b>	<b>5,118</b>	

Costs are apportioned on the headcount basis and all costs incurred are charitable. No costs have been allocated to the acquired business due to their acquisition late in the year.

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**3. ALLOCATION OF TOTAL COSTS BY FUNCTION**

	Direct Costs £'000	Support Costs £'000	Total 2010 £'000
Educational Research	1,790	855	<b>2,645</b>
Educational Programmes	17,107	4,263	<b>21,370</b>
Educational new acquisition	1,635		<b>1,635</b>
Governance	140		<b>140</b>
<b>Total</b>	<b>20,672</b>	<b>5,118</b>	<b>25,790</b>

No costs have been allocated to the acquired business due to their acquisition late in the year

**4 STAFF COSTS**

Total staff costs comprised

	2010 £'000	2009 £'000
Wages and salaries	<b>8,894</b>	7,892
Social security costs	<b>948</b>	746
Other pension costs	<b>1,207</b>	896
	<b>11,049</b>	<b>9,534</b>

The charity operates a final salary pension scheme as part of a larger entity called the Local Government Scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund.

The average number of employees during the year, calculated on a full-time equivalent basis was 219 (2009 - 204). All employees were engaged in charitable activities- 25 (2009 - 26) in Research, 126 (2009 - 124) in Educational services.

The number of employees who received emoluments greater than £60,000 in the following ranges was

	2010 Number	2009 Number
£60,001 - £70,000	7	3
£70,001 - £80,000	7	-
£80,001 - £90,000	2	1
£90,001 - £100,000	-	2
£100,001-£110,000	1	-
£110,001-£120,000	1	-
£140,001 - £150,000	-	-
£150,001 - £160,000	-	1
£160,001 - £170,000	1	-

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

Pension contributions of £233,275 (2009 - £78,375) were made by the charity in respect of these higher paid employees

**5 TRUSTEES' REMUNERATION AND EXPENSES**

During the year, 2 (2009 - Nil) of the charity's trustees received a total of £2,213 (2009 - £Nil) for reimbursement of non-private travel and subsistence costs. The Chair of Trustees received remuneration of £25,000 (2009 - £25,000) during the year in respect of services provided to the charity under the authority of the Memorandum and Articles of Association of LSN as well as the approval of the Charity Commission.

**6. GOVERNANCE COSTS**

		<b>2010</b>	2009
		<b>£'000</b>	£'000
Auditors' remuneration	Audit fees	33	12
	Tax advice	15	4
Internal audit		40	47
Trustee, officer and staff related costs		51	38
Professional and legal fees		1	2
		<u>140</u>	<u>103</u>

**7. RELATED PARTY TRANSACTIONS**

During the year LSN contracted with Hughes Associates, of which Chris Hughes is a partner, for specialist consultancy services in educational and research programmes. The work was part of LSN's normal operations and was carried out at normal commercial terms and rates. The amount paid to Hughes Associates during the year was £6,657 (2009 - £26,483) in fees and £Nil (2009 - £285) in expenses. There were no amounts outstanding at either year end of sums of fees or expenses. Whilst Chris Hughes is a partner in Hughes Associates he was not directly involved in the work provided to LSN.

Geoff Hall, one of the trustees, is principal of New College Nottingham which contracted on normal commercial terms with our recent acquisition, FE Associates, to supply interim and project staff to the college. FE Associates were acquired on the 17th December 2009 and Geoff Hall resigned as a trustee on 27th January 2010.

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**8. TANGIBLE FIXED ASSETS**

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost or book value</b>				
At 1 April 2009	579	153	1,020	1,752
Addition from Acquisitions	-	-	281	281
Additions	-	5	1,205	1,210
Disposals	-	-	(110)	(110)
Transfers	-	19	(19)	-
<b>At 31 March 2010</b>	<b>579</b>	<b>177</b>	<b>2,377</b>	<b>3,133</b>
<b>Accumulated depreciation</b>				
At 1 April 2009	134	39	442	615
Additions from Acquisitions	-	-	194	194
Charge for the year	83	32	253	368
Disposals	-	-	(110)	(110)
<b>At 31 March 2010</b>	<b>217</b>	<b>71</b>	<b>779</b>	<b>1067</b>
<b>Net Book Value at 31 March 2010</b>	<b>362</b>	<b>106</b>	<b>1,598</b>	<b>2,066</b>
<i>Net Book Value at 31 March 2009</i>	<i>445</i>	<i>114</i>	<i>578</i>	<i>1,137</i>

All of the tangible fixed assets are principally used for direct charitable purposes

**9. INTANGIBLE FIXED ASSETS (SEE NOTE 18)**

	Goodwill £'000	Product Investment	Total £'000
<b>Cost or book value</b>			
At 1 April 2009	-	-	-
Addition from Acquisitions	10,831	222	11,053
Additions	-	610	610
Disposals	-	-	-
Transfers	-	-	-
<b>At 31 March 2010</b>	<b>10,831</b>	<b>832</b>	<b>11,663</b>
<b>Net Book Value at 31 March 2010</b>	<b>10,831</b>	<b>832</b>	<b>11,663</b>
<i>Net Book Value at 31 March 2009</i>	<i>-</i>	<i>-</i>	<i>-</i>

There was no amortisation of intangible assets as at 31<sup>st</sup> March 2010 – this will commence in the next financial year

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**10. DEBTORS – Due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>6,973</b>	5,226
Accrued income	<b>523</b>	1,887
Prepayments	<b>421</b>	285
Other debtors and stock	<b>438</b>	735
	<u><b>8,355</b></u>	<u><b>8,133</b></u>

**11. CREDITORS – Amounts falling due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	<b>2,911</b>	327
Other taxation and social security	<b>929</b>	822
Accruals	<b>4,156</b>	8,253
Deferred income	<b>509</b>	4,254
Other creditors including deferred consideration	<b>1,636</b>	782
	<u><b>10,141</b></u>	<u><b>14,438</b></u>

**12. CREDITORS – Amounts falling due after more than one year**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Deferred Consideration	<b>1,875</b>	-
Accruals	<b>297</b>	396
	<u><b>2,172</b></u>	<u><b>396</b></u>

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Accreditation provision	<u>7</u>	<u>828</u>
<b>Amounts falling due after more than one year:</b>		
Provision for Enhanced Pension benefits	<b>40</b>	733
Property provision	<b>200</b>	500
	<u><b>240</b></u>	<u>1,233</u>
	<u><b>247</b></u>	<u>2,061</u>

The Property provision is to provide for the dilapidation costs which LSN is liable to incur when the property lease expires. The provision was reviewed during the year by a professional expert that led to the revaluation shown of £200,000.

The accreditation provision was for ongoing liabilities on a particular contract that ended some time ago and the remaining liability is now minimal.

The Pension liability is for ex-employees of our previous organisation LSDA which has been reviewed by the trustees and the provision is no longer required.

**14. OTHER FINANCIAL COMMITMENTS**

Amounts payable over the next twelve months on operating leases

<b>Land and buildings</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Expiry date		
In less than 5 years	<b>1,031</b>	-
In more than 5 years	<u>-</u>	<u>580</u>
<b>Other</b>		
Expiry date		
Within 1 year	<b>19</b>	19
Between 2 and 5 years	<u>-</u>	<u>-</u>
	<u><b>19</b></u>	<u>19</u>



**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**15 CASH FLOW STATEMENT**

**(a) Reconciliation of net incoming resources to net cash inflow from operating activities**

	2010 £'000	2009 £'000
	<b>Total</b>	
Net incoming resources	<b>1,698</b>	9,691
Loss on disposal of fixed assets	-	12
Depreciation charges	<b>368</b>	281
Interest receivable	<b>(415)</b>	(1,481)
(Increase)/decrease in debtors	<b>(222)</b>	367
Increase/(decrease) in creditors	<b>(5,896)</b>	(7,939)
FRS17 pension charge	<b>240</b>	818
Pension contributions paid	<b>24</b>	(92)
Increase/(decrease) in provisions	<b>(1,814)</b>	(723)
Net cash inflow/(outflow) from operating activities	<u><b>(6,017)</b></u>	<u>934</u>

**(b) Reconciliation of net cash flow to movement in net funds**

	£'000	£'000	2010 £'000	2009 £'000
	<b>LSN</b>	<b>Acquisitions</b>	<b>Total</b>	
Increase/(decrease) in cash in the year	<u>(253)</u>	<u>218</u>	<u><b>35</b></u>	<u>(22,585)</u>
Net funds at 1 April 2009	<u>5,907</u>	<u>-</u>	<u><b>5,907</b></u>	<u>28,492</u>
Net funds at 31 March 2010	<u><b>5,942</b></u>	<u>-</u>	<u><b>5,942</b></u>	<u>5,907</u>

In a group accounting situation, net cash, debtors and creditors is managed in a central function after acquisition. The funds represented by the value of the acquired businesses was used by those owners in settlement of the assets and liabilities expressed in that agreement.

**(c) Analysis of changes in net funds**

	At 1 April 2009 £'000	Cashflow £'000	At 31 March 2010 £'000
Cash at bank and in hand	<u><b>5,907</b></u>	<u><b>35</b></u>	<u>5,942</u>
Total	<u><b>5,907</b></u>	<u><b>35</b></u>	<u><b>5,942</b></u>

**(d) Assets and liabilities acquired**

This is analysed in detail in Note 18

**LEARNING AND SKILLS NETWORK  
NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2010**

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**16. SUBSIDIARY COMPANY**

At 31 March 2010, Learning and Skills Network had two 100% owned dormant subsidiaries,

LSN Ltd, which has not traded during the year and has not been consolidated. This company becomes active in August 2010.

Learning Resources International Ltd which was acquired on the 9th February 2010 and which ceased trading on that date. The accounts have not been consolidated as they are not material.

**17. PENSION FUND**

**Government Teachers' Pension Defined Benefits Scheme**

The Charity participates in a multi-employer defined benefits pension scheme, the Teachers' Pension Scheme (England and Wales) ("the Scheme"), for some of its staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to identify the assets and liabilities of the Scheme which are attributable to the Charity.

The latest actuarial valuation of the Scheme by the Government Actuary issued in October 2006 relating to the period 1 April 2001 to 31 March 2004 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) exceeded the value of the Scheme's assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) by 2.0%.

From 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the standard contribution has been assessed at 19.75%, with a supplementary contribution of 0.75% to balance the Scheme's assets and liabilities within 15 years as required by the regulations. This translates into an employer contribution rate of 14.1% and an employee contribution rate of 6.4%. The cost-sharing agreement has also introduced – which will be effective for the first time from the 2008 valuation – a 14% cap on employer contributions payable.

The superannuation charge represents contributions payable to the Scheme for the year ended 31 March 2010 of £46,012.

**The Local Government Pension Scheme**

The Charity participates in the Local Government Pension Scheme, which is a defined benefits scheme. The Scheme is a multi-employer scheme, but the assets and liabilities which are attributable to the Charity can be separately identified and the net deficit and movements thereon have therefore been included in these financial statements.

The assets of the Scheme are held separately from those of the Charity. The Scheme is funded by contributions from the employees and participating employers in accordance with the recommendations of independent qualified actuaries on the basis of triennial valuations. The most recent of these valuations was as at 31 March 2007.

The assumptions which had the most significant effect on the results of the valuation are those detailed in the tables shown below and on the following page.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**17. PENSION FUND (Continued)**

<b>Asset class</b>	<b>1 April 2010</b>	<b>1 April 2009</b>
Equities	72.0%	6.9%
Gilts	7.0%	4.3%
Other bonds	11.0%	6.6%
Property	8.0%	5.9%
Cash	2.0%	5.0%

The basis of the Pension valuation was changed in 2008-09 to eliminate the provision for early retirement under the Rule of 85 as LSN policy does not allow early retirement. This has reduced the FRS 17 deficit at the 1<sup>st</sup> April 2008 from £3,950,000 to £3,115,000.

The assets of the Scheme have been included at market value and the liabilities have been calculated using the following actuarial assumptions:

	<b>2010</b>	<b>2009</b>
Rate of increase in salaries	3.9%	4.5%
Pension increases	3.9%	3.0%
Rate of discount	5.5%	6.7%
Inflation	3.9%	3.0%

The liabilities are determined using the projected unit method as required by FRS17, as distinct from the aggregate method used in the triennial actuarial valuation. Under the projected unit method, the current service costs will increase as the members of the Scheme approach retirement. On this basis, the balance sheet figures in respect of the Scheme at 31 March 2010 are as follows:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of Scheme assets	14,738	8,973
Defined benefit obligation	(22,688)	(14,198)
Net liability	<u>(7,950)</u>	<u>(5,225)</u>

**Reconciliation of opening and closing Scheme liabilities**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening defined benefit obligation</b>	<b>14,198</b>	<b>15,229</b>
Change in basis (note 17 above)	-	(835)
Service cost	871	838
Interest cost	1,011	985
Actuarial (gains)/ losses	5,307	(2,220)
Estimated benefits paid (net of transfers in)	519	(256)
Past service Cost	(7)	47
Contributions by Scheme participants	430	318
Losses on curtailments	359	92
<b>Closing defined benefit obligation</b>	<b><u>22,688</u></b>	<b><u>14,198</u></b>

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**17. PENSION FUND (Continued)**

**Reconciliation of opening and closing Scheme assets**

	2010 £'000	2009 £'000
<b>Opening fair value of Scheme assets</b>	<b>8,973</b>	<b>11,374</b>
Expected return on Scheme assets	645	759
Actuarial (losses)/ gains	2,822	(3,873)
Contributions by employer	1,356	658
Contributions by Scheme participants	430	318
Estimated benefits paid (net of transfers in)	512	(263)
<b>Closing fair value of Scheme assets</b>	<b>14,738</b>	<b>8,973</b>

The charge to the Statement of Financial Activities over the financial year is as follows

	2010 £'000	2009 £'000
<b>Operating charge</b>		
Current service cost	871	838
Past service cost	-	47
Expected return on pension scheme assets	(645)	(758)
Interest on pension scheme liabilities	1,011	985
Losses on curtailments	359	3
<b>Total operating charge</b>	<b>1,596</b>	<b>1,115</b>
<b>Other gains and losses</b>		
Actuarial gains/(losses)	(2,485)	(1,653)
Change in asset valuation	-	-
<b>Total other recognised gains and losses</b>	<b>(2,485)</b>	<b>(1,653)</b>

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**17. PENSION FUND (Continued)**

**Amounts for current and previous periods**

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000
Defined benefits obligation	(22,688)	(14,198)	(15,229)	(15,694)
Scheme assets	<u>14,738</u>	<u>8,973</u>	<u>11,279</u>	<u>11,317</u>
Deficit	<u>(7,950)</u>	<u>(5,225)</u>	<u>(3,950)</u>	<u>(4,377)</u>
Experience adjustments on Scheme liabilities	<u>(5,307)</u>	<u>2,220</u>	<u>2,621</u>	<u>(1,132)</u>
Experience adjustments on Scheme assets	<u>2,822</u>	<u>(3,873)</u>	<u>(1,879)</u>	<u>565</u>

The cumulative total of recognised losses at 31<sup>st</sup> March 2010 was £3 772M

The actuary has confirmed that the valuation made above under the requirements of FRS 17 indicates that there is no immediate funding requirement

The actuary has excluded from both assets and liabilities items which have neutral effect on the Scheme's financial position i.e. additional voluntary contributions, annuities secured in respect of pensions in payment and insurance contracts for death in service benefits

Employer contributions for the year ended 31 March 2011 are estimated to be £1,118,000

**18. ACQUISITIONS**

LSN acquired the net assets of the company of the organisations shown below during the year

FRS7 requires the disclosure of fair value of assets acquired and any significant value adjustments. Although values were attributed to balance sheet items in the legal documents relating to all the acquisitions of FEA, Connections and LRI, they were provisional estimates and the agreements were framed such that the net assets acquired were warranted figures. In the event both for LRI and Connections, the actual assets acquired at the date of acquisition were different and this has resulted in debtor balances of £93K in the balance sheet at 31<sup>st</sup> March 2010. These sums are to be repaid to LSN in the next year.

**LEARNING AND SKILLS NETWORK  
NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2010**

**Note 18 Acquisitions (Continued)**

**FE Associates**

LSN acquired the net assets as identified the table on page 29, on the 17 December 2009 for an initial cash payment with a deferred consideration over the following 3 years - subject to achievement of targets. This organisation based in Taunton, Somerset provides interim college staff and project managers in colleges. With a staff of 60 people, this organisation will develop under the LSN propositions banner a wider college base.

Information relating to FE Associates as a substantial acquisition as defined by FRS 6 note 35 is given below. The major difference was FE Associates traded as a partnership and the accounting and taxation policies followed were appropriate to that entity.

Description	Financial year 2009 All figures £'000	Year to date prior to Acquisition £'000
Sales	7,872	6,030
Gross profit	2,914	1,786
Net profit of the partnership	1,940	964

**Connections Oxford**

Acquired the net assets as identified the table on page 29 on the 23<sup>rd</sup> December 2009 for an initial sum followed by a deferred consideration based on targets, this organisation based near Oxford has major commercial customers where staff development and personal development are key aims. Again, an organisation that LSN could develop and apply - using its charitable objectives - to a wide variety of its customers.

**Learning Resources International:**

Acquired the company on 5<sup>th</sup> February 2010 for an initial sum again with a further deferred sum based on performance targets, this company has major clients to which it provides online and book based educational development to meet the needs of client's staff. This aligns very well with LSN's knowledge of mobile learning developed in the very successful Molenet contract which LSN has delivered over a number of years. LSN plans to expand this future market to young people who use mobile phones, pda's and similar technology as a means of learning and development of additional skills.

The limited company Learning Resources International ceased operations at the date of acquisition and has not been consolidated into LSN as it is immaterial as stated in Note 16. This company will be closed and removed from Companies House before next year end.

The table of assets, and liabilities acquired is shown below.

**LEARNING AND SKILLS NETWORK**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2010**

**Note 18 Acquisitions (Continued)**

	<b>FE Associates £'000</b>	<b>LRI and Connections Oxford £'000</b>
Fixed Assets	80	6
Product Investments	-	222
Debtors	1,577	79
Other Debtors, stock and Prepayments	247	63
Bank and Cash	218	-
Trade Creditors	(143)	(29)
Other Creditors and Accruals	(384)	(20)
Taxation	(619)	(51)
Goodwill	10,155	678
<b>Total Consideration</b>	<b>11,131</b>	<b>946</b>
Range of deferred consideration over 3 years	£0 - £4,500 Based on turnover £3 375 is provided in the above figures of Goodwill £10,155	£0 -375 Based on turnover & surplus

**19 POST BALANCE SHEET EVENTS**

LSN merged with the National Extension College Trust (NEC) on 9<sup>th</sup> July 2010, where NEC provides distance learning from freehold owned premises based in Cambridge. NEC is a long established college which is a charity created by Michael Young many years ago but needs significant development of new technology and particularly mobile learning using LSN's strength in this area. The merged charity will be especially strong and can develop and expand in new directions.

Under the terms of the acquisition agreement of FE Associates, a payment on account of £2M was made on 1<sup>st</sup> April 2010 to them subject to meeting the targets expressed in that agreement. This would be further goodwill and the sum of £3 375M has been provided in these accounts.

**20 PRODUCT INVESTMENTS**

In this financial year, LSN has invested in the following product developments:

- Learning Resources International with a net investment of £194,000 in the software development of a range of products
- Connections Oxford – the investment of £28,000 in the development of a product for call centres
- Shared services for Colleges – the investment is £610,000 in the establishment of technical and logistical capability to provide transactional services to FE Colleges in 2010/2011

These assets are identified under Intangibles in Note 9 to these accounts. These assets will be amortised over their useful sales lives, estimated to be 5 years.

**LEARNING AND SKILLS NETWORK  
NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2010**

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**21. CHANGE IN ESTIMATING TECHNIQUES 2008/09**

During the year ended 31<sup>st</sup> March 2009, new systems were implemented and the estimation of costs to complete projects and the associated deferred income was reviewed. As a result of this some previous amounts of deferred income and cost accruals have been released. This has increased the surplus for that year by £8.5 Million.