

# **Ufi Limited**

Financial statements

For the year ended 31 July 2008



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COMPANIES HOUSE

**Company no 3980770**

## Company information

**Company registration number:** 3980770

**Registered office:** Dearing House  
1 Young Street  
SHEFFIELD  
S1 4UP

**Directors:** R Barnes  
S Brinton  
K Brough  
L Challis (formerly Booth)  
D Clark  
B Davies  
C Flatley  
D Frost  
S Jones  
Sir G Sweeney  
J Weston (Chairman)  
J Williams  
T Wilson

**Secretary:** L Ward

**Bankers:** Barclays Bank PLC  
71 Grey Street  
NEWCASTLE UPON TYNE  
Tyne and Wear  
NE99 1JP

**Auditors:** Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants  
2 Broadfield Court  
SHEFFIELD  
S8 0XF

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## Report of the directors

The directors present their report and the audited financial statements of the company for the year ended 31 July 2008.

### Mission and principal activities

The company's mission is to use technology to transform the skills and employability of the working age population to improve UK productivity.

The company's principal activities during the year were:

- Providing digitally-enabled learning for individuals so they can develop their skills both personally and professionally;
- the sale of products and services to UK employers to improve the skills of the workforce and enhance productivity;
- the provision of an impartial information, advice and careers guidance service to adults; and
- the management of the national UK online centres network.

The company adopts the Learning and Skills Council's (LSC) funding policies for funding eligibility which ensures that all learners, including those on low incomes may participate.

### Review of business and future developments

The directors are pleased to report a surplus on ordinary activities before taxation of £391,658 (2007 £294,860).

The company has enjoyed a successful year exceeding many of the key performance targets set by the Learning and Skills Council and thereby contributing to the government's PSA targets in raising the qualification levels of post 19 year old adults.

- Engaged 192,888 learners without Level 2 or SFL qualifications (2007: 208,283), with 63,034 learners achieving their first Skills for Life qualification (2007: 58,131).
- The development of further capacity to deliver National Vocational Qualifications (NVQ). During the year 4,900 full level 2 NVQs were delivered (2007: 3,574).
- Learner satisfaction improved to 97% (2007: 93%).
- The learndirect advice service provided more than 12.5m advice and guidance sessions (2007: 10.8m). Of these 165,514 (2007: 222,423) "pre level 2" telephone callers (callers with less than 5 GCSE/'O' levels or equivalent) to its helpline and over 2.1m visits to its advice website (2007: 2.8m).
- Administration of over 2,800 UK online centres membership venues (2007: 2,100)

The company continued to operate the national telephone careers guidance pilot under contract with the Department for Innovation, Universities and Skills (DIUS) and during the year has provided careers guidance to over 60,000 individuals.

Following the joint announcement by the Department for Children, Schools and Families and the Department of Innovation, Universities and Skills in March 2008, of the creation of a national careers advice service, the **learndirect** web and telephone advice service has been successfully transferred to the LSC on the 30 September 2008. Under the provisions of Transfer of Undertakings Protection of Employment (TUPE), 23 employees have been transferred to the LSC as part of the process.

In addition the company continued to successfully manage the "Life in The UK" test programme via a network of selected test centres on behalf of the UK Border Agency (UKBA) (formerly the Border and Immigration Agency of the Home Office). During the year 255,000 tests (2007: 281,000) were taken at the accredited centres in the United Kingdom, which forms one of the key steps towards the application of British Citizenship.

## Report of the directors

### Review of business and future developments (continued)

As part of the administration of this high profile programme, the company monitors results achieved and investigates any variance to expectation.

During the year Ufi Limited introduced further improvements to the control environment and amongst others these included the recruitment of a dedicated audit investigation resource, the development of a suite of reports to spot irregular behaviour at test centres and the establishment of a joint forum between the UKBA's Security and Anti-corruption Unit and Ufi's audit team.

During 2007/08 learndirect business achieved increased income of £4.7m (2007: £1.52m). In the first full year of Train to Gain income increased to £4.78m (2007: £1.27m), with other sales increasing to £376k (2007: £258k).

### Future prospects

During 2008/09 the company will continue to pursue its principal activities through the Financial Memorandum and through Train to Gain contracts with the LSC. Additionally, it will continue to manage the "Life in The UK" test programme on behalf of the UKBA.

The market for adult skills provision is changing over the next few years as the government introduces demand-led reforms to stimulate competition amongst suppliers. In the company's key market providing basic skills training we have reached an understanding with the Department for Innovation, Universities and Skills and the Learning and Skills Council that we will move away from the current method of grant in aid funding and move towards the adult learning responsiveness method of funding which has been introduced to the FE college sector from August 2008.

The details surrounding the application of the funding rules to the company's method of digitally enabled delivery together with transitional arrangements are still to be agreed upon. As a result the company is reviewing its strategy to ensure that it is well placed to take advantage of the market opportunities as well as ensuring the cost structure is sufficiently flexible given that it is expected the company will lose the security of income within a year currently provided under the arrangements included in the Financial Memorandum. In respect of the provision of training to employers primarily under the Train to Gain national arrangements funded by the Learning and Skills Council the amount of funding available is expected to grow rapidly through to 2010/11 and the company's strategy is focusing on how to take maximum advantage in this growing market.

### Reserves

The reserves policy of the company is to maintain a level of reserves to enable the company to adjust in a measured way to a significant change in activity including meeting the unavoidable costs of winding-up where such costs are not expressly covered in contracts for the provision of services. Accordingly the directors have determined to transfer the surplus for the year to reserves.

## Report of the directors

### Directors and their interests

R Barnes		
S Brinton		IV
K Brough	(appointed 26 November 2007)	
H A Cann*	(resigned 24 March 2008)	I
L Challis (formerly Booth)*		
D Clark		I
J Crooks	(resigned 26 September 2007)	
B Davies		II, IV
C Flatley*		IV
D Frost*		
S Jones		III
N W Stuart	(resigned 31 December 2007)	
Sir G Sweeney		
B Turtle	(appointed 26 November 2007)	
	(resigned 10 November 2008)	
J Weston*	(Chairman)	
T Wilson		I
J Williams*	(appointed 26 November 2007)	IV

None of the directors had any interest in the shares of the company at 31 July 2008 or 31 July 2007.

\*Nominees of the Secretary of State for Innovation, Universities and Skills.

### Membership of sub-committees of the board

I	Member of the Learning and Technology Committee (disbanded April 2008)
II	Member of the Ufi Cymru Sub Committee
III	Member of the Management Committee
IV	Member of the Quality Committee

### Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the 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 judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Report of the directors

### Directors' responsibilities for the financial statements (continued)

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

### Political and charitable donations

The company made charitable donations of £640 (31 July 2007: £1,271) during the year. No political donations were made during the year (31 July 2007: £nil).

### Employees

The company encourages applications for employment by disabled persons by displaying the 'two ticks' symbol on advertisements. Applications from people with disabilities are given full consideration based on their skills and abilities. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged and adjustments made. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

The company promotes equal opportunity for all employees and aims to ensure that no person receives less favourable treatment arising from their age, race, religion, sex or disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the company. Communication with employees continues through briefings, electronic communications, regular meetings between managers and employees and the Employee Consultative Group.

### Remuneration policy for Senior Management Team Members

The reward and benefits for the management team are reviewed at least annually by the Remuneration Committee, using data from across all sectors, to ensure we reward appropriately, enabling us to retain, motivate, drive performance and as required, attract high calibre individuals on competitive terms.

### Creditors payment policy

It is the policy of the company to settle the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them.

The number of creditor days was 22 in 2008 (2007: 22 days).

## Report of the directors

### Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'J Weston', is written over a circular stamp or seal.

J Weston  
Chairman  
2 December 2008



# Statement of internal control

## Principles of Corporate Governance

Ufi Limited is committed to exhibiting best practice in all aspects of corporate governance and implementation of the terms of the Financial Memorandum with the Learning and Skills Council (LSC), including the LSC's Audit Code of Practice. There is a clear separation of activities funded under the terms of the Financial Memorandum and the activities of UFI Charitable Trust and related group companies. None of the funding provided by the LSC under the Financial Memorandum has been passed to UFI Charitable Trust or used to subsidise the activities of any related group company. Transactions are conducted on an arm's length basis between Ufi Limited and **learnirect** Solutions Limited, governed by a commercial services agreement.

The summary describes the manner in which the company had applied the principles set out in section one of the Combined Code on Corporate Governance issued by the London Stock Exchange. The company has based its principles of corporate governance on the best practice recommendations of the Code.

## Board Structure

During the year the board comprised the Chairman, the Chief Executive and directors. The board is responsible to the company's stakeholders: principally its shareholder UFI Charitable Trust, the DIUS and the LSC for the proper management of the company. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Chief Executive and her Senior Management team are fully considered. To enable the board to discharge its duties, all directors have full and timely access to all relevant information and there is a procedure for all directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the company. The board has a formal schedule of matters reserved to it and meets five times a year. It is responsible for the overall company strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following group committees, which have written terms of reference, deal with specific aspects of the company's affairs.

The **Nomination Committee** comprises 4 non-executive directors and is chaired by the Chairman. The Committee is responsible for proposing candidates for appointment to the board, where they are not appointed by the Secretary of State for Innovation, Universities and Skills, having regard to the balance and structure of the board. In appropriate cases recruitment consultants are used to assist the process. All non-executive directors are subject to re-election at least every three years.

The **Remuneration Committee** comprises 5 non-executive directors and is responsible for making recommendations to the relevant board on the group's framework of executive remuneration and its cost. The Committee recommends to the board the contract terms, remuneration and other benefits for each of the Senior Management team, including performance related bonus schemes, pension rights and compensation payments.

The **Audit Committee** comprises 5 non-executive directors. Its prime tasks are to review the scope of work undertaken by internal, external and funding audits, to receive regular reports from the internal, the external and the funding auditors, and to review the annual financial statements before they are presented to the board, focusing in particular on accounting policies and areas of management judgment and estimation.

The Audit Committee acts as a forum for discussion of internal control issues and contributes to the board's review of the effectiveness of the company's internal control and risk management systems and processes. The Audit Committee is responsible for monitoring the controls that are in force to ensure the integrity of the information reported to the board and other stakeholders. The Audit Committee also conducts a review of the remit of the internal audit service, its authority, resources and scope of work. It advises the board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the auditors.

## Statement of internal control

### Board Structure (continued)

The Audit Committee, which meets at least three times per year, provides a forum for reporting by the company's external auditors. Meetings are also attended by the Chief Executive, Chief Financial Officer and Head of Risk and Audit. The Audit Committee also monitors the effectiveness, quality and value for money of the work of the internal and external auditors.

The **Equality and Diversity Advisory Group** comprises 2 non-executive directors and relevant staff. The group meets at least three times each year to discuss all equality and diversity issues of the company and the group. This includes equality and diversity issues relating to our staff and to our learners.

The **Quality Committee** comprises 5 non-executive directors. The Quality Committee meets at least three times a year to discuss and monitor all matters of quality relevant to Ufi Limited and the **learnirect** brand and advise the board on how best to secure business excellence with the objective of:

- achieving high grades at national Ofsted inspection and other appropriate quality standards;
- ensuring that Ufi has a reputation amongst customers as being high quality;
- building a culture of business excellence; and
- ensuring that equality and diversity is at the heart of business excellence.

### Internal Control

#### Scope of responsibility

The directors of Ufi Limited are responsible for the company's system of internal control and reviewing its effectiveness.

#### The purpose of the system of internal control

The board has designed the company's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material mis-statement or loss.

#### Capacity to handle risk

The board regularly reviews the key risks to which the company is exposed together with the operational, financial and compliance controls that have been implemented to mitigate those risks. The board considers that there is a formal ongoing process for identification, evaluation and management of the company's significant risks that has been in place for the year ended 31 July 2008 and up to the date of approval of these statements.

#### The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which are reviewed and agreed by the board;
- regular reviews by the board of periodic and annual financial reports, which indicate financial performance against budgets and forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

## Statement of internal control

### The risk and control framework (continued)

The company has an internal audit service which is provided independently of the external audit service. The internal audit work is performed to provide assurance that the controls that have been put in place to mitigate risks are operating effectively. The work of the internal audit service is informed by an analysis of the risks to which the company is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the board on the recommendation of the Audit Committee. The Audit Committee receives reports from both internal and external auditors on a regular basis and from the Executive Directors of the company. The internal audit service regularly review the control of financial systems and their associated computer environments, business unit operations and compliance. During the year, the Audit Committee has reviewed the effectiveness of the system of internal control as described above. The board receives periodic reports from all committees.

There are no significant issues disclosed in the reports for the year ended 31 July 2008 and up to the date of approval of this statement, that have required the board to deal with any related material internal control issues.

The directors confirm that the Audit Committee, on behalf of the board, has reviewed the effectiveness of the system of internal control as described during the year and has reported on its activities to the board.

During the year the LSC has undertaken a provider assurance review of Ufi Limited and did not identify any areas of serious concern.

### Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The company also has a loan from the Department for Innovation, Universities & Skills (DIUS). This is interest free and repayable on return on the corresponding rental deposit on the group's principal place of business at Dearing House, Sheffield. The main purpose of these financial instruments is to raise finance for the company's operations. The main risk arising from the company financial instruments is liquidity risk. The directors review and agree policies for managing this risk as summarised below. The policy has remained unchanged from previous periods.

### Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets and short and medium term deposits safely and profitably. Primarily this is achieved through payment arrangements made with the LSC under the Financial Memorandum.

### Going Concern

The directors confirm that they are satisfied that the company has adequate resources to continue in business for the foreseeable future. The company has a contract in place with the LSC for 2008/09, which allows it to draw down funding of £154.9m. The LSC has indicated that funding for 2009/10, after the adjustment for the removal of the advice service funding, will remain at a similar level for core delivery at £145.5m. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

BY ORDER OF THE BOARD



S Jones  
Chief Executive  
2 December 2008

## Reporting of Personal Data-related Incidents

The tables that follow have been prepared in response to Cabinet Office guidance (issued to Ufi Limited, via the DIUS on 2 May 2008) on reporting personal data-related incidents in the management commentary section of Ufi Limited's financial statements.

**Table 1: Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office in 2007/08**

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
N/A	NIL	NIL	NIL	NIL
<b>Further information on information risk</b>	Ufi Limited will continue to monitor and assess its information in order to identify and address any weaknesses and to ensure continuous improvement of its systems.			

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within Ufi Limited are set out in the table 2 below. (Note: Small, localised incidents are not recorded centrally and are not cited in these figures.)

**Table 2: Summary of other protected personal data-related incidents in 2007/08**

Category	Nature of incident	Total
<b>I</b>	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1
<b>II</b>	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	5
<b>III</b>	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
<b>IV</b>	Unauthorised disclosure	-
<b>V</b>	Other	-

**Table 3: Year-on-year total number of protected personal data-related incidents prior to 2007/08**

Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number							Total number of other protected personal data related incidents, by category number						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
2006/07	-	-	-	-	-	NIL	2006/07						N/A
2005/06	-	-	-	-	-	NIL	2005/06						N/A
2004/05	-	-	-	-	-	NIL	2004/05						N/A

Data not available as it was not recorded during these periods.

## Statement of Accounting Officer's Responsibilities

Under the Financial Memorandum with the Learning and Skills Council (LSC), Ufi Limited's Chief Executive is designated as Ufi Limited's Accounting Officer by the Council's Accounting Officer and has the following responsibilities for:

- ensuring that all public funds made available to Ufi Limited are used for the purpose intended and that such monies, together with Ufi Limited's assets, equipment and staff, are used economically, efficiently and effectively;
- the proper management of Ufi Limited's resources and staff;
- ensuring high standards of corporate governance in accordance with guidance issued from time to time; and
- ensuring that the conditions of funding set out in the Financial Memorandum with the LSC and the Schedules are complied with.

BY ORDER OF THE BOARD



S Jones  
Chief Executive (as Accounting Officer)  
2 December 2008



## Report of the independent auditor to the members of Ufi Limited

We have audited the financial statements of Ufi Limited for the year ended 31 July 2008 which comprise the principal accounting policies, the income and expenditure account, the balance sheet and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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 report of the directors and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the directors' responsibility for the financial statements.

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 report of the directors 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 report of the directors 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.



## Report of the independent auditor to the members of Ufi Limited

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2008 and of its surplus 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 report of the directors is consistent with the financial statements.

*Grant Thornton UK LLP.*

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

SHEFFIELD  
2 December 2008

## Principal accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The majority of the company's income during the year has been provided by the Learning and Skills Council (LSC) under a Financial Memorandum. This is supplemented by grant funding for specific projects, other funding contracts awarded by the DIUS and the DCSF and income from the sale of learning materials and services. The Financial Memorandum with the LSC has been agreed until 31 July 2009 and indicatively provides details of funding to 31 July 2010. The company's projections of cash flows and income and expenditure for the year to 31 July 2009, together with the LSC Financial Memorandum, indicate that the company should have adequate financial resources for the foreseeable future. Accordingly the directors consider it is appropriate for the financial statements to be prepared on a going concern basis.

The principal accounting policies have remained unchanged from the previous year.

### Income

The company's general activities during the year were mainly financed by a contract with the LSC. Funding from the LSC is recognised to the extent that costs have been incurred and accounted for, on an accruals basis in line with the terms of that contract. Funding received in respect of tangible assets is treated as deferred income, which is credited to the income and expenditure account over the estimated economic lives of the related assets in line with the depreciation policies set out below.

Income or funding received in excess of costs incurred on an accruals basis is treated as a creditor. For activities where income is received in arrears, such as Train to Gain, income or funding receivable is recognised as a debtor.

Revenue from other course sales is recognised at the point of learner enrolment, i.e. when the learning material is made available to the learner. When revenue is received for specific projects on a cost reimbursement basis this is recognised on an accruals basis once the eligible expenditure has been incurred.

Licence revenue from the use of materials and services for the provision of funded learning is recognised in the year for which the charge is made, i.e. when the funded learning materials and environment is made available to learning providers.

Donated services are recognised at their market value at the point of receipt of those services.

The 2007 comparatives have been restated to show discontinued operations.

### Grants awarded

Grants awarded are charged to the income and expenditure account in the year in which the company becomes committed to their payment in accordance with the individual scheme rules.

### Capital Grants

Capital grants receivable are treated in line with the awarding bodies' requirements. Unless the awarding body specifies otherwise, capital grants receivable will be treated as deferred income and released to the income and expenditure accounts as the underlying assets are depreciated.



## Principal accounting policies

### Fixed assets

The cost of tangible fixed assets is their purchase cost, plus own labour costs together with any incidental expenses of acquisition. Only assets which cost more than £1,000 are capitalised. Income received for the purchase of fixed assets is treated in line with the policy above.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight-line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

Leasehold improvements	shorter of lease term and 50 years
Fixtures and fittings	5 years
Computer software and equipment	2 to 3 years
Assets relating to specific projects	shorter of useful life or project life

### Research and development

Development of computer software is capitalised as described in the fixed assets policy above. Direct costs including purchases, directly attributable own labour costs and any incidental expenses of acquisition are capitalised as incurred and depreciated on a straight-line basis over its useful economic life.

Research and development expenditure is written off in the income and expenditure account in the period in which it is incurred.

### Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for promotional, obsolete and slow moving items.

### Leased assets

Leasing agreements and hire purchase contracts which transfer to the company substantially all the benefits and risk of ownership of an asset ("finance leases") are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the income and expenditure account over the primary lease period in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

All other leases are treated as operating leases, the costs of which are charged on a straight-line basis over the lease term.

### Recognition of contingent assets

Recoverable amounts are recognised only when it has become virtually certain that an inflow of economic benefit will arise. The recognition will be in the period in which the change occurs.

## Principal accounting policies

### Pensions

Retirement benefits to employees of the group are provided under the following arrangements:

- a group stakeholder pension scheme;
- the Teachers' Pension Scheme (TPS); and
- contributions to personal pension plans of the employee's choice.

Contributions to the group stakeholder pension scheme, which is a defined contribution scheme, are charged to the income and expenditure when they become payable and in accordance with the rules of the scheme.

The TPS is a multi employer defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. It is not possible to identify each institution's share of the underlying assets and liabilities of the Teachers' Pension Scheme and hence the group has taken advantage of the exemption in FRS 17 whereby the scheme is accounted for as if the scheme was a defined contribution scheme. Contributions to the scheme are charged to the income and expenditure in line with recognition of earnings. The contributions are determined by qualified actuaries on the basis of four yearly valuations, using a prospective benefit valuation method.

Contributions to personal pension plans of the employee's choice are charged to the income and expenditure when they become payable and in accordance with the rules of the scheme.

### Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Exemption from the obligations to prepare a cash flow statement

The company has taken advantage of the exemption from the obligation to prepare a cash flow statement, on the grounds that the company is a wholly owned subsidiary of UFI Charitable Trust and the results and cash flows of the company are included in the consolidated financial statements of that charity.

### Related party transactions

The company has taken advantage of the exemption contained in FRS 8 not to disclose transactions with its fellow group undertakings.

### Financial instruments

Financial instruments and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Finance costs and gains or losses relating to financial liabilities are included in the income and expenditure account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

The loan recognised by the company is interest free and carried at cost. The amount will be repayable on return of the corresponding rental deposit on the company's principal place of business at Dearing House, Sheffield.

Such instruments are recognised at the point that a contractual obligation arises.

## Income and expenditure account

	Note	Continuing activities £	Discontinued activities £	2008 £	Continuing activities £	Discontinued activities £	Restated 2007 £
<b>Income</b>							
Income received	1	188,268,668	24,757,322	213,025,990	158,821,094	23,370,928	182,192,022
<b>Expenditure</b>							
Staff costs	5	20,999,039	575,525	21,574,564	18,690,908	656,288	19,347,196
Other operating costs:							
Learner funding		91,137,760	-	91,137,760	73,894,260	-	73,894,260
Network funding		20,622,644	-	20,622,644	20,584,443	-	20,584,443
Product development and licences		5,624,287	-	5,624,287	3,548,981	-	3,548,981
ICT		5,881,278	-	5,881,278	4,614,435	-	4,614,435
Delivery support, audit and distribution		6,850,027	28,619	6,878,646	6,693,343	129,884	6,823,227
National learner advice line costs		-	13,953,543	13,953,543	-	13,101,019	13,101,019
UK Online		4,038,876	-	4,038,876	8,361,272	-	8,361,272
Marketing and communications		13,970,482	4,000,000	17,970,482	7,336,228	3,999,475	11,335,703
Other trading costs	4	10,781,768	252,330	11,034,098	9,022,781	177,972	9,200,753
My Guide		2,836,042	-	2,836,042	2,988,473	-	2,988,473
Guidance Trial		-	5,947,305	5,947,305	-	5,306,290	5,306,290
Train to Gain		4,330,869	-	4,330,869	1,397,763	-	1,397,763
Life in the UK		1,973,563	-	1,973,563	2,724,269	-	2,724,269
		<u>189,046,635</u>	<u>24,757,322</u>	<u>213,803,957</u>	<u>159,857,156</u>	<u>23,370,928</u>	<u>183,228,084</u>
<b>Operating deficit</b>		<u>(777,967)</u>	<u>-</u>	<u>(777,967)</u>	<u>(1,036,062)</u>	<u>-</u>	<u>(1,036,062)</u>
Investment income	7			1,169,824			1,341,532
Interest payable and similar charges	8			(199)			(10,610)
<b>Surplus on ordinary activities before taxation</b>	3			391,658			294,860
Tax on surplus on ordinary activities	9			(118,505)			(84,848)
<b>Surplus after taxation transferred to reserves</b>	18			<u>273,153</u>			<u>210,012</u>

There were no other recognised gains or losses in the year.

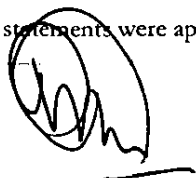
The 2007 comparatives have been restated to ensure consistency with 2008, to show discontinued operations and LSC funding more clearly.

## Balance sheet

	Note	2008 £	2007 £
<b>Fixed assets</b>			
Tangible assets	10	<u>5,475,868</u>	<u>4,955,501</u>
<b>Current assets</b>			
Stock	11	126,814	104,719
Debtors	12	19,792,846	15,535,733
Cash at bank and in hand		<u>17,691,020</u>	<u>16,000,515</u>
		<u>37,610,680</u>	<u>31,640,967</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(38,527,784)</u>	<u>(32,270,445)</u>
<b>Net current liabilities</b>		<u>(917,104)</u>	<u>(629,478)</u>
<b>Total assets less current liabilities</b>		<b>4,558,764</b>	<b>4,326,023</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(3,415,681)</u>	<u>(3,456,093)</u>
<b>Net assets</b>		<u><b>1,143,083</b></u>	<u><b>869,930</b></u>
<b>Capital and reserves</b>			
Share capital	17	100	100
Income and expenditure account	18	<u>1,142,983</u>	<u>869,830</u>
<b>Shareholders' funds</b>	19	<u><b>1,143,083</b></u>	<u><b>869,930</b></u>

The financial statements were approved by the board of directors on 2 December 2008.

J Weston



Chairman

S Jones



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

# Notes to the financial statements

## 1 Income

	Continuing activities	Discontinued activities	2008	Continuing activities	Discontinued activities	Restated 2007
	£	£	£	£	£	£
LSC funding for general activities	35,536,139	-	35,536,139	23,030,258	-	23,030,258
LSC funding for capital additions	2,128,002	-	2,128,002	1,326,878	-	1,326,878
LSC learner funding	91,137,760	-	91,137,760	73,894,260	-	73,894,260
LSC network funding	20,622,644	-	20,622,644	20,584,443	-	20,584,443
LSC UK Online funding	5,454,730	-	5,454,730	9,599,855	-	9,599,855
LSC National Learner Advice service funding	-	17,821,235	17,821,235	-	16,670,698	16,670,698
LSC and DIUS income for small projects	1,034,718	512,110	1,546,828	426,327	1,393,941	1,820,268
My Guide	3,232,958	-	3,232,958	3,496,629	-	3,496,629
Guidance Trial	-	5,947,305	5,947,305	-	5,306,289	5,306,289
Life in the UK	2,320,843	-	2,320,843	2,928,461	-	2,928,461
Licence income	19,587,833	-	19,587,833	19,888,710	-	19,888,710
Train to Gain	4,785,667	-	4,785,667	1,272,528	-	1,272,528
Other grants received	1,705,849	-	1,705,849	1,508,153	-	1,508,153
Other trading income	629,891	476,672	1,106,563	772,782	-	772,782
Other income	91,634	-	91,634	91,810	-	91,810
	<u>188,268,668</u>	<u>24,757,322</u>	<u>213,025,990</u>	<u>158,821,094</u>	<u>23,370,928</u>	<u>182,192,022</u>

LSC funding for capital additions is deferred income released during the year, that matches depreciation costs (note 16).

The 2007 comparatives have been restated to ensure consistency with 2008, to show discontinued operations and LSC funding more clearly.

Income is stated exclusive of VAT and arises wholly within the United Kingdom.

## 2 Discontinued operations

	2008 £	2007 £
Discontinued Income (Advice & Guidance)	24,757,322	23,370,928
Discontinued Expenditure (Advice & Guidance)	<u>(24,757,322)</u>	<u>(23,370,928)</u>
	-	-

Following the joint announcement by The Department for Children, Schools and Families (DCSF) and The Department for Innovation, Universities and Skills (DIUS) in March 2008, of the creation of a national careers advice service, the **learn**direct web and telephone advice service was successfully transferred to the LSC on 30 September 2008. Under the provisions of Transfers of Undertakings Protection of Employment (TUPE), 23 employees have been transferred to the LSC as part of the process.

## Notes to the financial statements

### 3 Surplus on ordinary activities before taxation

The surplus on ordinary activities before taxation is stated after charging/(crediting) the following:

	2008 £	2007 £
Auditors' remuneration:		
Fees payable to the company's auditor for the company's annual accounts audit	24,235	27,900
Fees payable to the company's auditor for other services		
Other services pursuant to legislation		
Review of interim consolidation pack	3,950	3,800
LSC regularity work	5,000	4,750
Funding audit	215,282	348,183
Taxation services	5,722	5,450
Operating lease rentals:		
Equipment and vehicles	-	759
Other	564,082	457,313
Grants payable:		
UK Online grants	2,207,317	7,134,780
Depreciation	2,128,002	1,326,878

### 4 Other trading costs

Other trading costs are further analysed as follows:

	Continuing activities £	Discontinued activities £	2008 £	Restated 2007 £
Accommodation and other office costs	2,540,657	113,069	2,653,726	2,870,502
Other staff related expenditure	4,222,884	139,261	4,362,145	3,926,665
Depreciation	2,128,002	-	2,128,002	1,326,878
Legal and professional fees	1,890,225	-	1,890,225	1,076,708
	10,781,768	252,330	11,034,098	9,200,753

The 2007 comparative has been restated to show LSC funding more clearly and to ensure consistency with 2008.

### 5 Staff numbers and costs

Staff costs during the year were as follows:

	2008 £	2007 £
Salaries	18,943,489	17,470,451
Social security costs	1,896,335	1,576,420
Pension costs (note 21)	1,649,741	1,329,115
Other staff costs	318,510	256,355
Seconded costs	37,163	8,959
	22,845,238	20,641,300
Less:		
Capitalised own labour	(691,114)	(568,619)
Charged to projects	(579,560)	(725,485)
	21,574,564	19,347,196

## Notes to the financial statements

### 5 Staff numbers and costs (continued)

During the year individuals have been seconded to the company from a number of different organisations. Seconded costs represent the amounts invoiced to the company by these organisations for the provision of these secondees.

Other staff costs include £35,058 of donated services from the DIUS (2007: £56,250).

Included within staff costs is £52,868 (2007: £125,972) of redundancy costs.

The monthly average number of full time equivalent permanent employees (including the Chief Executive and secondees) during the year was as follows:

	2008 Number	2007 Number
Governance and Administration	103	97
Business Support and Development (including marketing)	145	114
Advancement of Skills and Qualifications	205	196
Advice and Guidance*	20	22
Enhancement of Workforce Skills and Productivity	9	12
Others	-	2
	<b>482</b>	<b>443</b>

\*As noted in note 2, the Advice & Guidance service was transferred to the LSC on 30 September 2008. The cost of the discontinuing Advice and Guidance service staff during the year was £575,525 (2007: £656,288).

The 8 members of the Senior Management Team have not consented to disclose their remuneration individually but have consented to disclose their remuneration in bandings as follows:

	2008	Restated 2007
<b>Emoluments (in bands of £5,000)</b>		
£85,000 - £89,999	1	1
£90,000 - £94,999	-	1
£95,000 - £99,999	-	3
£105,000 - £109,999	1	-
£110,000 - £114,999	2	-
£115,000 - £119,999	1	-
£145,000 - £149,999	-	1
£150,000 - £154,999	1	-
£155,000 - £159,999	-	1
£165,000 - £169,999	-	1
£170,000 - £174,999	1	-
£185,000 - £189,999	1	-
	<b>8</b>	<b>8</b>

The 2007 comparatives has been restated to ensure use of consistent bandings with 2008.

	2008	2007
<b>Benefits in kind (in bands of £100)</b>		
£nil	8	6
£1,100 - £1,200	-	1
£5,100 - £5,200	-	1
	<b>8</b>	<b>8</b>

## Notes to the financial statements

### 5 Staff numbers and costs (continued)

	2008	2007
<b>Employer's pension contributions (in bands of £100)</b>		
£nil	-	1
£8,200 - £8,299	1	-
£8,500 - £8,599	-	1
£8,800 - £8,899	-	2
£9,000 - £9,099	-	1
£9,100 - £9,199	1	-
£10,000 - £10,099	1	-
£10,500 - £10,599	1	-
£13,000 - £13,099	-	1
£13,500 - £13,599	1	-
£23,700 - £23,799	1	1
£26,300 - £26,399	1	-
£37,700 - £37,799	1	-
£50,400 - £50,499	-	1
	<u>8</u>	<u>8</u>

#### Benefits in kind

Benefits in kind included travel allowances.

The members of the Senior Management Team during the year were as follows:

S Jones, Chief Executive Officer  
P Lloyd, Deputy Chief Executive Officer  
R Peace, Chief Financial Officer  
G Craven, Director of Organisational Development  
K Donnelly, Director of Products & Marketing  
M Lofthouse, Director of Business Development  
R Moore, Director of Technology  
D Wood, Director of Operations

### 6 Directors' emoluments

	2008 £	2007 £
Aggregate emoluments	<u>187,206</u>	<u>166,408</u>

Only one director, who is also by definition the highest paid director, was remunerated in the year.

Total company pension contribution was £26,348 (2007: £50,478), retirement benefits are accruing under a money purchase scheme.



## Notes to the financial statements

### 7 Investment income

	2008 £	2007 £
Interest and income on bank deposits	<u>1,169,824</u>	<u>1,341,532</u>

### 8 Interest payable and similar charges

	2008 £	2007 £
On bank loans and overdrafts	<u>199</u>	<u>10,610</u>

### 9 Taxation

	2008 £	2007 £
<b>Current tax</b>		
UK corporation tax on surplus of the year	118,700	92,682
Adjustment in respect of prior periods	6,829	74
Total current tax	<u>125,529</u>	<u>92,756</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>(7,024)</u>	<u>(7,908)</u>
Tax on surplus on ordinary activities	<u>118,505</u>	<u>84,848</u>

The tax assessed for the year is lower than the standard rate applying in the UK (30%). The differences are explained below:

	2008 £	2007 £
Surplus on ordinary activities before taxation	<u>391,658</u>	<u>294,860</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.33% (2007: 30%)	114,873	88,458
Effects of:		
Expenses not deductible for tax purposes	3,467	996
Adjustment in respect of prior periods	6,829	74
Marginal relief	(3,177)	(4,679)
Other timing differences	3,537	7,907
Rounding on tax charge	-	-
Current tax charge for the year	<u>125,529</u>	<u>92,756</u>

## Notes to the financial statements

### 10 Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Computer software and equipment £	Total £
Cost				
At 1 August 2007	1,333,885	924,104	29,274,463	31,532,452
Additions	-	191,290	2,457,079	2,648,369
Disposals	-	(52,454)	(140,814)	(193,268)
At 31 July 2008	<u>1,333,885</u>	<u>1,062,940</u>	<u>31,590,728</u>	<u>33,987,553</u>
Depreciation				
At 1 August 2007	899,043	561,452	25,116,456	26,576,951
Charge for the year	133,389	104,471	1,890,142	2,128,002
Disposals	-	(52,454)	(140,814)	(193,268)
At 31 July 2008	<u>1,032,432</u>	<u>613,469</u>	<u>26,865,784</u>	<u>28,511,685</u>
Net book amount at 31 July 2008	<u>301,453</u>	<u>449,471</u>	<u>4,724,944</u>	<u>5,475,868</u>
Net book amount at 31 July 2007	<u>434,842</u>	<u>362,652</u>	<u>4,158,007</u>	<u>4,955,501</u>

All additions during the year were financed through grant in aid receivable from the LSC. None of the disposals during the year were financed through grant in aid receivable from the LSC.

### 11 Stock

	2008 £	2007 £
Stocks of learning materials	<u>126,814</u>	<u>104,719</u>

### 12 Debtors

	2008 £	2007 £
Trade debtors	2,684,060	1,050,854
Amounts owed by the LSC	12,355,508	10,142,214
Amounts owed by group undertakings	252,588	336,805
VAT recoverable	2,003,532	1,345,935
Other debtors	284,382	485,258
Prepayments	2,190,800	2,159,715
Deferred tax asset (note 13)	21,976	14,952
	<u>19,792,846</u>	<u>15,535,733</u>

Under the terms of a lease agreement for the group's principal place of business at Dearing House, Sheffield, the DIUS has placed £518,193 in a designated bank account for the purpose of providing security against default on the lease. This rental deposit has been recorded in both prepayments (above) and creditors (note 15) and falls due after more than one year.

Trade debtors includes a provision for doubtful debts of £125,899 at 31 July 2008 (2007: £31,980).

## Notes to the financial statements

### 13 Deferred taxation

The movement in the deferred taxation asset during the year was:

	2008 £	2007 £
Balance brought forward	14,952	7,044
Income and expenditure movement arising during the year	7,024	7,908
Balance carried forward	<u>21,976</u>	<u>14,952</u>

The asset for deferred taxation consists of the tax effect in respect of other timing differences.

### 14 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	12,634,383	8,140,675
Learner funding due to network	8,569,945	7,169,334
Amounts owed to LSC	5,673,753	5,673,753
Taxation and social security	594,871	583,496
Corporation tax	118,700	92,682
Other creditors	2,575,697	2,175,765
Accruals	5,584,658	6,184,790
Deferred income (note 16)	2,578,380	2,017,600
Deferred income - UFI Charitable Trust grant	197,397	232,350
	<u>38,527,784</u>	<u>32,270,445</u>

### 15 Creditors: amounts falling due after more than one year

	2008 £	2007 £
DIUS rent deposit loan	518,193	518,193
Deferred income (note 16)	2,897,488	2,937,900
	<u>3,415,681</u>	<u>3,456,093</u>

## Notes to the financial statements

### 16 Deferred income

Deferred income represents income received for the purchase of fixed assets. This is credited to the income and expenditure account in accordance with the company's accounting policy:

	2008 £	2007 £
As at 1 August 2007	4,955,500	3,097,000
Income received in year for capital assets (net of disposals)	2,648,370	3,185,378
Release to income and expenditure account	(2,128,002)	(1,326,878)
As at 31 July 2008	<u>5,475,868</u>	<u>4,955,500</u>
Represented by:		
Deferred income less than 1 year	2,578,380	2,017,600
Deferred income greater than 1 year	<u>2,897,488</u>	<u>2,937,900</u>
	<u>5,475,868</u>	<u>4,955,500</u>

### 17 Share capital

	Authorised £	Called up issued and fully paid £
Ordinary shares of £1 each	<u>10,000</u>	<u>100</u>

### 18 Reserves

	Income and expenditure account £
At 1 August 2007	869,830
Surplus after taxation	273,153
At 31 July 2008	<u>1,142,983</u>

### 19 Reconciliation of movement in shareholders' funds

	2008 £	2007 £
Surplus for the year after taxation	273,153	210,012
Opening shareholders' funds at 1 August 2007	<u>869,930</u>	<u>659,918</u>
Closing shareholders' funds at 31 July 2008	<u>1,143,083</u>	<u>869,930</u>

## Notes to the financial statements

### 20 Financial commitments

At 31 July 2008 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2008	2007
	£	£
Within one year	85,675	101,023
Between one and five years	48,411	146,843
After five years	429,996	430,000
	<b>564,082</b>	<b>677,866</b>

The operating lease for the Head Office is held by the parent company UFI Charitable Trust on behalf of the group. Ufi Limited reimburses UFI Charitable Trust for the annual rental costs since it occupies substantially all of the premises. The directors believe the disclosure of the operating lease commitments and DIUS Rent Loan Deposit by Ufi Limited more accurately reflects the substance of these arrangements.

### 21 Pension commitments

#### Group stakeholder pension scheme

Contributions are paid to the scheme and charged to the income and expenditure account as they become payable. Contributions paid by the company during the year under this scheme were £1,599,135 (2007: £1,266,720) which represented 10% of employees' salaries.

#### The Teachers' Pension Scheme

The Teachers' Pension Scheme is an unfunded scheme. Contributions on a 'pay as you go' basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is assessed every four years in accordance with the advice of the government actuary using a prospective benefits valuation method. The latest actuarial valuation of the scheme was at 31 March 2004. The scheme has been invested notionally in government securities. A gross rate of interest of 6.5% per annum was assumed as the return on the investment and the rate of increase in salaries was assumed to be 1.5% per annum.

The value of the assets (estimated future contribution together with the proceeds from the notional investments held at the valuation date) was £163,240 million.

On the basis of the last actuarial valuation, the company contributes at a rate of 14.1% of employee salary. Contributions paid by the company during the year were £26,890 (2007: £38,680).

It is not possible to identify each institution's share of the underlying assets and liabilities of the Teachers' Pension and hence the company has taken advantage of the exemption in FRS 17 whereby the scheme is accounted for as if the scheme was a defined contribution scheme.

#### Personal pension plans

Contributions to personal pension plans are charged to the income and expenditure account as they become payable. Contributions paid by the company during the year were £23,716 (2007: £23,715).

There are no outstanding or prepaid contributions to any of the pension schemes at the balance sheet date.

## Notes to the financial statements

### 22 Capital commitments

At 31 July 2008 £nil (2007: £nil) was contracted for but not provided in the financial statements.

### 23 Contingent liabilities

The DIUS holds a fixed and floating charge over the assets of the company, to the extent of any outstanding liabilities due to the Department.

### 24 Related party transactions

During the year, Ufi Limited entered into the following transactions, which were in the course of normal business and conducted at arm's length.

- In addition to the grant in aid funding received from the Learning and Skills Council (LSC) under the Financial Memorandum Ufi Limited also entered into a number of small contracts and sundry transactions with the LSC. The value of these small contracts and sundry transactions are shown in note 1.
- As noted in the Report of the directors, a number of the Directors are nominees of the Secretary of State for Innovation, Universities and Skills. The Department for Innovation, Universities and Skills also entered into a number of small contracts and sundry transactions with the Ufi Limited. The value of these small contracts and sundry transactions are also shown in the Income note 1, above.
- It received material funding from the Learning and Skills Council, for whom Sir G Sweeney was a Special Advisor (see note 1).
- It supplied learning material courseware of £148,842 (2007: £140,206) to Ystrad Mynach College, for whom B Davies was Principal. £873 was outstanding at the end of July 2008 and collected in August 2008.
- It paid for award sponsorship and exhibition space of £1,916 (2007: £4,000) with Fforwm, for whom B Davies was Director. £770 was outstanding at the end of July and paid in August 2008.
- It paid £80,789 (2007: £22,500) to Caspian Learning Ltd for the production of learning materials and associated taster, training and support, for whom D Clark was a non-executive Director. There was £32,827 outstanding at the year end and paid in August 2008.
- It supplied learning material courseware of £10,100 to Belfast Metropolitan College in Northern Ireland, for whom B Turtle was the Principal. There was no outstanding balance at the year end
- Becta pledged £5,000 towards the sponsorship of the **learnirect** achievement awards, for whom J Williams was an Executive Director. This balance was outstanding at the year end and was received during August 2008.

### 25 Ultimate controlling party

The ultimate controlling party is UFI Charitable Trust by virtue of its 100% shareholding in the company. The financial statements of UFI Charitable Trust and Ufi Limited can be obtained from the registered office at Dearing House, 1 Young Street, Sheffield, S1 4UP.



## Report of the independent auditors to the Members of Ufi Limited and the Learning Skills Council ('the LSC')

In accordance with the terms of our engagement letter dated 6 June 2005 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure disbursed and income received of Ufi Limited during the year ended 31 July 2008 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Members and the LSC. Our review work has been undertaken so that we might state to the Members and the LSC those matters we are required to state to it in a 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 Members and the LSC, for our review work, for this report, or for the opinion we have formed.

### **Respective responsibilities of the Members of Ufi Limited and the Auditors**

The Members are responsible, under the requirements of the financial memorandum, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework 2004/05 issued by the LSC. We report to you whether, in our opinion, in all material respects, expenditure disbursed and income received during the year ended 31 July 2008 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Basis of opinion**

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework 2004/05 issued by the LSC. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of Ufi Limited's income and expenditure. The scope of our testing ends at the point where funding has been paid over to providers within the **learn**direct network in accordance with the agreement made with the LSC on 16 March 2005.

### **Opinion**

In all material respects the expenditure disbursed and income received during the year ended 31 July 2008 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

*Grant Thornton UK LLP.*

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

SHEFFIELD  
2 December 2008