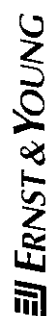


Humberside Partnership

Report and Financial Statements

31 March 2004

 ERNST & YOUNG

2691336



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COMPANIES HOUSE

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Humberside Partnership

Registered No: 2681336

Directors

J Perkins (Appointed 30 June 2004)
W D Walsh (Appointed 30 June 2004)
J M Whitfield (Appointed 30 June 2004)

Secretary

G Parkinson

Auditors

Ernst & Young LLP
Lowgate House
Lowgate
Hull
HU1 1JJ

Bankers

Lloyds TSB Bank PLC
2 Silver Street
Hull
HU1 1HX

Solicitors

Rollits
Wilberforce Court
High Street
Hull
HU1 1YJ

Registered Office

24 Priory Tec Park
Saxon Way
Hessle
East Yorkshire
HU13 9PB

Directors' report

The directors present their report and the audited accounts for the year ended 31 March 2004.

Principal activities

The key purpose of The Humberside Partnership is to help individuals to move successfully through education, training and employment.

The principal activities of the company (and the group) are:

- The provision of a comprehensive range of advice, guidance, assessment and placement services for all those seeking jobs, training and education;
- The promotion and development of links between education & business;
- The provision of a wide range of training and development programmes to individuals and organisations.

The company is a non-profit making organisation. Any surpluses generated are applied solely towards the promotion of the company's objects, as contained within its Memorandum and Articles of Association and summarised above, and are therefore not available for distribution.

The Humberside Partnership Group Ltd ("THPGL"), the parent undertaking, is also a non-profit making organisation. Any surpluses generated are applied solely towards the promotion of the THPGL's objects, as contained within its Memorandum and Articles of Association and summarised above, and are therefore not available for distribution.

Operational Performance

Overview

The Company's main business was provided under a Development Contract with Connexions Humber running from 1st September 02 to 31st March 04, subsequently extended to 30 June 2004. This was backed by a detailed Service Delivery Plan showing how the focus of Company activities would change and develop in line with the Connexions ethos while it was in effect.

Results

During the year the Company made a deficit of £163,643 (2002 – deficit of £206,076).

Post Balance Sheet Events

Following changes to the VAT status of Connexions Partnerships from 1 April 2004, and subsequent changes in the levels to which Connexions Partnerships were funded to allow for their increased costs, discussions were commenced between the directors of the Company and those of Connexions Humber ("CxH"), the Connexions Partnership in the region, as to how to best respond to what would otherwise have amounted to approximately a £1 million shortfall in funding in the region for all Connexions services.

In order to minimise the effect it was concluded that the sub-contracting model previously adopted where CxH acted as a contract holder but did not directly provide services was unsustainable and that preservation of services would be best served by CxH becoming a direct delivery service, employing staff directly. In order to facilitate this, CxH agreed to become the sole member and holding company of the Company and all other Companies within the THP Group and in addition accepted responsibility for all liabilities incurred by the Company, including those prior to that date.

Directors' report

Post Balance Sheet Events (continued)

As a consequence of the above, a deed of exchange was entered into between CxH and the members of the Company on 30 June 2004, all directors of the Company resigned on that date and were replaced by directors nominated by Connexions Humber and the Registered Office of the Company was changed to 24 Priory Tec Park, Saxon Way, Hessle, East Yorkshire HU13 9PB. From that date Connexions Humber became the sole member of the company.

Immediately following acquisition of the Company, the business was transferred to CxH, and as a consequence all employees of the Company transferred to CxH under the Transfer of Undertakings (Protection of Employment) Regulations 1981 ("TUPE") on 1 July 2004. The contract between the Humberside Partnership & CxH was consequently terminated by mutual consent on 30 June 2004.

Directors

The directors of the company who served during the year are as follows:

| | |
|---------------|---|
| M J Bowman | (Resigned 30 June 2004) |
| A Butler | (Resigned 30 June 2004) |
| P W Carter | (Resigned 30 June 2004) |
| M J Chapman | (Resigned 22 May 2003) |
| G E Clark | (Resigned 30 June 2004) |
| P R Greef | (Appointed 14 January 2004 and resigned 30 June 2004) |
| M Jutsum | (Resigned 24 March 2004) |
| D Knibb | (Resigned 30 June 2004) |
| J E M Lyon | (Resigned 14 January 2004) |
| R A Newey | (Appointed 23 October 2003 and resigned 30 June 2004) |
| B E Roberts | (Appointed 23 October 2003 and resigned 30 June 2004) |
| J G W Roberts | (Resigned 30 June 2004) |
| J M Whitfield | (Resigned 30 June 2004) |

In addition the following directors were appointed after the year end:

| | |
|---------------|--------------------------|
| J Perkins | (Appointed 30 June 2004) |
| W D Walsh | (Appointed 30 June 2004) |
| J M Whitfield | (Appointed 30 June 2004) |

Status

The company is limited by guarantee, not having a share capital.

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Directors' report

Political & Charitable Donations

No political or charitable donations were made in the year (2003 - £25).

Employee Information

The Humberside Partnership is committed to ensuring all employees receive relevant and timely information, communicated through a range of channels to suit their individual preference.

Formal meetings with the main trade union, Unison, take place regularly via a Joint Consultative Committee ("JCC"). The company also meets with representatives of all operational areas at its Staff Consultative Committee ("SCC").

Employment of disabled persons

The Company is committed through its Equal Opportunities Policy and its statement of Principals & Values in offering equality of opportunity in employment, promotion and career development for all its employees regardless of gender, sexual orientation, disability, race or ethnic origin.

In considering applications from disabled people, the Company seeks to ensure that fair consideration is given to the abilities and aptitudes of the applicant while having regard to the requirements of the job for which they have applied, and any adjustments to working arrangements required are made on employment.

Employees who become unable to carry out the job for which they are employed are given individual consideration and, depending upon the nature, severity and duration of the disability, will be considered for alternative work where practical and/or their existing job may be adapted, again where practical, to reflect their changed circumstances. The Company continues to train and encourage the career development of disabled persons in its employment.

Health, Safety & Welfare of employees

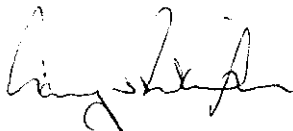
The Company is committed to ensuring that it meets, and indeed exceeds, standards for maintaining the health, safety and welfare of its employees. Each of the Company's centres has appointed a number of Health & Safety employee representatives who regularly meet to consider Health & Safety issues across the range of the Group's activities. The Company has also appointed a number of area Health & Safety assistants, across all geographical areas, to ensure implementation of all policies and procedures and to provide advice and guidance to managers and other staff on a range of issues. All Health & Safety assistants are qualified to at least IOSH Managing Safely levels, many to NEBOSH certificate level.

The number of RIDDOR reportable incidents during the year was nil (2003 - nil).

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



G Parkinson
Secretary

25 November 2004

Independent auditors' report

to the members of Humberside Partnership

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Humberside Partnership (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Hull

25 November 2004

Income and expenditure account

for the year ended 31 March 2004

| | Notes | 2004 £ | 2003 £ |
|---|-------|------------------|------------------|
| Operating income | 2 | 7,882,526 | 8,213,312 |
| Operating costs | | 8,019,011 | 8,234,436 |
| Operating costs – exceptional items | 6 | 31,863 | 191,127 |
| | | <u>8,050,874</u> | <u>8,425,563</u> |
| Operating deficit | 3(a) | (168,348) | (212,251) |
| Bank interest receivable | | 4,705 | 6,331 |
| | | <u>(163,643)</u> | <u>(205,920)</u> |
| Deficit on ordinary activities before taxation | | (163,643) | (205,920) |
| Taxation charge on deficit on ordinary activities | 7 | 716 | 156 |
| | | <u>(164,359)</u> | <u>(206,076)</u> |
| Deficit for the financial year | 13 | <u>(164,359)</u> | <u>(206,076)</u> |

Statement of total recognised gains and losses

for the year ended 31 March 2004

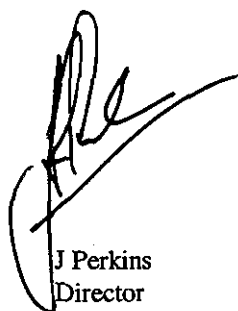
There are no recognised surplus or deficits other than the deficit of £163,359 for the year ended 31 March 2004 (period ended 31 March 2003 – deficit of £206,076).

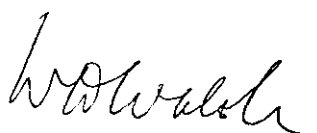
Balance sheet

at 31 March 2004

| | Notes | 2004 £ | 2003 £ |
|---|-------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 147,130 | 128,271 |
| Current assets | | | |
| Debtors | 9 | 1,154,588 | 1,703,602 |
| Cash at bank and in hand | | 333,055 | 287,770 |
| | | <u>1,487,643</u> | <u>1,991,372</u> |
| Creditors: amounts falling due within one year | 10 | 792,592 | 1,137,452 |
| | | <u>695,051</u> | <u>853,920</u> |
| Net current assets | | | |
| | | <u>842,181</u> | <u>982,191</u> |
| Total assets less current liabilities | | | |
| Creditors: amounts falling due after one year | 11 | 25,367 | - |
| Accruals and deferred income | | | |
| Deferred government grants | 12 | 102,825 | 103,843 |
| | | <u>713,989</u> | <u>878,348</u> |
| Reserves | | | |
| Income and expenditure account | 13 | 713,989 | 878,348 |
| | | <u>713,989</u> | <u>878,348</u> |

ERNST & YOUNG


J Perkins
Director


W D Walsh
Director

25 November 2004

Statement of cash flows

for the year ended 31 March 2004

| | Notes | 2004 £ | 2003 £ |
|--|-------|-----------|-----------|
| Net cash inflows/(outflows) from operating activities | 3(b) | 138,445 | (514,375) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 4,705 | 6,331 |
| Taxation | | 766 | (319) |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (122,634) | (28,651) |
| Proceeds from disposal of tangible fixed assets | | 265 | 6,751 |
| Receipt of government grant | | 23,738 | 20,250 |
| | | (98,631) | (1,650) |
| Cash inflow/(outflow) before financing | | 45,285 | (510,013) |
| Increase/(decrease) in cash in year | 16 | 45,285 | (510,013) |

Notes to the financial statements

at 31 March 2004

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The presentation of the financial statements has been adapted in accordance with Schedule 4 to the Companies Act 1985 in that headings and sub-headings of an income and expenditure account have been presented rather than those of a profit and loss account, since the company does not carry on business with a view to profit.

Depreciation

The cost of tangible fixed assets is depreciated over the expected useful lives of the assets as follows:

| | |
|-----------------------|---------|
| Computer equipment | 3 years |
| Fixtures and fittings | 3 years |
| Motor vehicles | 3 years |

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions costs

The company participates in the Local Government Superannuation Scheme. Contributions to this fund are charged to the profit and loss account so as to spread the costs of pensions over the employees' working lives. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either accruals or prepayments in the balance sheet.

Notes to the financial statements

at 31 March 2004

1. Accounting policies (continued)

Government grants

Government Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Related party transactions

The company has taken advantage of the exemption in FRS8 from disclosing transactions with members or investees of The Humberside Partnership Group Limited group.

2. Operating income

Operating income comprises the amount of funding income receivable by the company during the year and can be analysed by business sector as:

| | 2004 £ | 2003 £ |
|-----------------|------------------|------------------|
| Connexions | 5,936,884 | 6,330,964 |
| Adults | 720,656 | 771,893 |
| Work experience | 334,222 | 336,109 |
| Grants | 326,540 | 554,829 |
| Training | 59,729 | 105,445 |
| Other | 504,495 | 114,072 |
| | <u>7,882,526</u> | <u>8,213,312</u> |

3. Operating deficit

(a) Operating deficit is stated after charging/(crediting):

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| Operating lease rentals - land and buildings | 184,200 | 179,962 |
| Auditors' remuneration | 8,750 | 8,750 |
| Depreciation of tangible fixed assets - owned | 103,775 | 103,273 |
| Amortisation of Government Grants | (24,756) | (23,954) |
| Profit on sale of fixed assets | (265) | (6,751) |
| | <u></u> | <u></u> |

Notes to the financial statements

at 31 March 2004

3. Operating deficit (continued)

(b) Reconciliation of operating deficit to net cash inflow from operating activities:

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| Operating deficit | (168,348) | (212,251) |
| Depreciation | 103,775 | 103,273 |
| Amortisation | (24,756) | (23,954) |
| Profit on disposal of fixed assets | (265) | (6,751) |
| | (89,594) | (139,683) |
| Decrease/(increase) in debtors | 548,248 | (456,416) |
| (Decrease)/increase in creditors | (320,209) | 81,724 |
| Net cash inflow/(outflow) from operating activities | 138,445 | (514,375) |

(c) To comply with contractual requirements, The Humberside Partnership confirms that the company received funding from the Government's Single Regeneration Project, via Hull City Venture Limited in respect of two contracts. Under the SRB4 "On Track" project, the company received £nil (2003 - £46,886). Under the SRB4 "SET Initiative" project the company received £nil (2003 - £28,500). The Company received funding from The North East Lincolnshire SRB Regeneration Partnership of £21,468. (2003 - £32,557) for the "IAG in the Community" project and £nil (2003 - £88,627) for the "Gateway to opportunities" project, and £15,795 (2003 nil) for the "Loft Manager" project. The company also received funding from the North Lincolnshire SRB Regeneration Partnership of £14,669 (2003 - £14,274) for the "RESURGO" project.

4. Directors' emoluments

| | 2004 £ | 2003 £ |
|--|-------------|-------------|
| Fees | 50,485 | 47,492 |
| | 2004 No. | 2003 No. |
| Members of defined benefit pension schemes | 1 | 1 |

Notes to the financial statements

at 31 March 2004

5. Staff costs

| | 2004 | 2003 |
|-------------------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 5,325,809 | 5,223,341 |
| Social security costs | 442,345 | 310,058 |
| Other pension costs (note 15) | 645,016 | 523,481 |
| | <u>6,413,170</u> | <u>6,056,880</u> |

The average weekly number of full time equivalent employees of the company, including secondees, was as follows:

| | 2004 | 2003 |
|--|------------|------------|
| | No. | No. |
| Operational, administration and management | <u>320</u> | <u>316</u> |

6. Exceptional items

These have arisen in the year as a result of the reorganization programme and relate to redundancy costs.

7. Taxation charge

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

| | 2004 | 2003 |
|--|------------|------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 722 | 156 |
| Adjustments in respect of previous periods | (6) | - |
| Total current tax (note 7(b)) | <u>716</u> | <u>156</u> |

(b) Factors affecting current tax charge

The differences are reconciled below:

| | 2004 | 2003 |
|--|------------|------------|
| | £ | £ |
| Deficit on ordinary activities before taxation | (163,643) | (205,920) |
| Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%(2003 - 19%) | (31,092) | (39,125) |
| Net expenses not deducted for tax purposes | 31,986 | 40,199 |
| Adjustments in respect of previous periods | (6) | - |
| Rate differences | (172) | (918) |
| Total current tax | <u>716</u> | <u>156</u> |

Notes to the financial statements

at 31 March 2004

8. Tangible fixed assets

| | <i>Leasehold improvements</i> | <i>Motor vehicle</i> | <i>Office fixtures & fittings</i> | <i>Computer equipment</i> | <i>Total</i> |
|---------------------|-----------------------------------|--------------------------|---|-------------------------------|--------------|
| | £ | £ | £ | £ | £ |
| Cost: | | | | | |
| At 1 April 2003 | - | 9,940 | 164,004 | 395,103 | 569,047 |
| Additions | 122,634 | - | - | - | 122,634 |
| At 31 March 2004 | 122,634 | 9,940 | 164,004 | 395,103 | 691,681 |
| Depreciation: | | | | | |
| At 1 April 2003 | - | 3,588 | 121,312 | 315,876 | 440,776 |
| Charge for the year | 24,471 | 3,313 | 22,176 | 53,815 | 103,775 |
| At 31 March 2004 | 24,471 | 6,901 | 143,488 | 369,691 | 544,551 |
| Net book amounts: | | | | | |
| At 31 March 2004 | 98,163 | 3,039 | 20,516 | 25,412 | 147,130 |
| At 1 April 2003 | - | 6,352 | 42,692 | 79,227 | 128,271 |

9. Debtors

| | 2004 | 2003 |
|------------------------------------|-----------|-----------|
| | £ | £ |
| Trade and other debtors | 753,455 | 1,277,972 |
| Amounts owed by group undertakings | 207,805 | 40,000 |
| Prepayments and accrued income | 193,328 | 384,864 |
| Corporation tax | - | 766 |
| | 1,154,588 | 1,703,602 |

10. Creditors: amounts falling due within one year

| | 2004 | 2003 |
|---------------------------------------|---------|-----------|
| | £ | £ |
| Trade creditors | 271,766 | 318,059 |
| Amounts owed to group undertaking | 28,860 | - |
| Other taxes and social security costs | 323,614 | 441,791 |
| Other creditors | 79,749 | 68,829 |
| Accruals and deferred income | 87,887 | 308,773 |
| Corporation tax | 716 | - |
| | 792,592 | 1,137,452 |

Notes to the financial statements

at 31 March 2004

11. Creditors: amounts falling due after more than one year

| | 2004 | 2003 |
|------------------------------|---------------|----------|
| | £ | £ |
| Accruals and deferred income | 25,367 | - |
| | <u>25,367</u> | <u>-</u> |

12. Accruals and deferred income – deferred government grants

| | £ |
|--------------------------|----------------|
| Balance at 1 April 2003 | 103,843 |
| Received during the year | 70,760 |
| Released during the year | (71,778) |
| Balance at 31 March 2004 | <u>102,825</u> |

13. Income and expenditure account

| | £ |
|----------------------|----------------|
| At 1 April 2003 | 878,348 |
| Deficit for the year | (164,359) |
| At 31 March 2004 | <u>713,989</u> |

14. Financial commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as set out below:

| | <i>Land and buildings</i> | |
|--------------------------------|---------------------------|----------------|
| | 2004 | 2003 |
| | £ | £ |
| Operating leases which expire: | | |
| In one to two years | 15,550 | 15,550 |
| In two to five years | 116,500 | 90,950 |
| In more than five years | 57,700 | 57,700 |
| | <u>189,750</u> | <u>164,200</u> |

Notes to the financial statements

at 31 March 2004

15. Pension commitments

SSAP 24 disclosures

The company is a member of the multi-employer local government pension scheme, East Riding Pension Fund, operated by the East Riding of Yorkshire Council. The scheme is a funded defined benefit scheme and the pension cost and provision are assessed in accordance with the advice of a professionally qualified actuary. The results of the most recent actuarial valuation of the scheme, as at 31 March 2001, are contained in the East Riding of Yorkshire Council accounts.

The pension cost charged to the company for the year amounted to £645,016 (2003 - £523,481).

FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2001 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2004 and 31 March 2003. Scheme assets are stated at their market values at the respective balance sheet dates.

| | 2004 | 2003 | 2002 |
|---|------|------|------|
| | £ | £ | £ |
| Main assumptions | | | |
| Rate of salary increase | 4.4 | 4.0 | 4.3 |
| Rate of increase in pensions in payment | 2.9 | 2.5 | 2.8 |
| Discount rate | 5.5 | 5.4 | 5.9 |
| Inflation assumption | 2.9 | 2.5 | 2.8 |

Assets – company share

| | 2004 | 2004 | 2003 | 2003 | 2002 | 2002 |
|------------------------------|----------------|--------|----------------|-------|----------------|-------|
| | Expected | | Expected | | Expected | |
| | long-term | | long-term | | long-term | |
| | rate of return | Value | rate of return | Value | rate of return | Value |
| | % | £'000 | % | £'000 | % | £'000 |
| Equities | 7.7 | 7,574 | 8.0 | 5,043 | 7.5 | 6,195 |
| Bonds | 5.1 | 1,397 | 4.8 | 1,316 | 5.5 | 765 |
| Property | 6.5 | 634 | 6.0 | 552 | 6.0 | 479 |
| Cash | 4.0 | 677 | 4.0 | 606 | 4.0 | 1,291 |
| Total market value of assets | | 10,282 | | 7,517 | | 8,730 |

Net pension assets/(liabilities) – company share

| | 2004 | 2003 | 2002 |
|---------------------------------------|----------|----------|----------|
| | £'000 | £'000 | £'000 |
| Estimated company share of assets | 10,283 | 7,517 | 8,729 |
| Present value of scheme liabilities | (17,033) | (14,053) | (11,934) |
| Present value of unfunded liabilities | (234) | (221) | (207) |
| Net pension liability | (6,984) | (6,757) | (3,412) |

Notes to the financial statements

at 31 March 2004

15. Pension Commitments (continued)

Analysis of the defined benefit cost

| | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|
| Current service cost | (740) | (658) |
| Curtailments and settlements | - | (10) |
| Total operating charge | (740) | (668) |
| Expected return on company's share of pension scheme assets | 552 | 587 |
| Interest on company's share of pension scheme liabilities | (796) | (716) |
| Total other finance income | (224) | (129) |
| Actual return less expected return on company's share of pension scheme assets | 1,398 | (2,466) |
| Experience gains arising on company's share of pension scheme liabilities | (32) | 115 |
| Loss arising from changes in assumptions underlying the present value of the company's share of pension scheme liabilities | (1,227) | (714) |
| Actuarial gain/(loss) recognised in the statement of total recognised gains and losses | 139 | (3,065) |

Analysis of movement in surplus/(deficit) during the year

| | £'000 | £'000 |
|---|---------|---------|
| Deficit at 1 April 2003 | (6,757) | (3,412) |
| Current service cost | (740) | (658) |
| Contributions in respect of unfunded benefits | 12 | - |
| Actuarial gain/(loss) | 139 | (3,065) |
| Employer contributions | 606 | 517 |
| Impact of settlements and curtailments | - | (10) |
| Net return on assets | (244) | (129) |
| Deficit at 31 March 2004 | (6,984) | (6,757) |

History of experience gains and losses

| | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|
| Difference between expected return and actual return on company's share of pension scheme assets: | | |
| - amount | 1,398 | (2,466) |
| - percentage of company's share of scheme assets | 13.6 | (32.8) |
| Experience gains/(losses) arising on company's share of pension scheme liabilities: | | |
| - amount | (32) | 115 |
| - percentage of company's share of the present value of scheme liabilities | (0.2) | (0.8) |
| Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses: | | |
| - amount | 139 | (3,065) |
| - percentage of company's share of the present value of scheme liabilities | 0.8 | (21.8) |

Notes to the financial statements

at 31 March 2004

16. Reconciliation of net cash flow to movement in funds

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| Increase/(decrease) in cash in the year | 45,285 | (510,013) |
| Change in net funds arising from cash flows | 45,285 | (510,013) |
| Net funds at 1 April 2003 | 287,770 | 797,783 |
| Net funds at 31 March 2004 | 333,055 | 287,770 |

17. Cash flow – analysis of changes in net funds

| | At 1 April 2003 £ | Cash flow £ | At 31 March 2004 £ |
|--------------------------|-------------------------|-------------------|--------------------------|
| Cash at bank and in hand | 287,770 | 45,285 | 333,055 |

18. Members' liability

The company was incorporated as a company limited by guarantee and therefore it has no share capital. The liability of the members is limited to £1 each on the winding up of the company, each member being liable whilst a member and for up to 12 months after ceasing to be a member. The directors of the company are also its members.

19. Related party transactions

During the year J E M Lyon served as a director of both Humberside Partnership and the Learning Skills Council Humberside. Humberside Partnership provided services in the year of £994,146 (2003 - £654,095) to the Learning Skills Council. The debtor balance outstanding at the year end was £223,455 (2003 - £414,723).

Also during the year A Butler who served as a director of Humberside Partnership was employed by N E Lincolnshire council. Humberside Partnership were reimbursed £60,029 (2003 - £179,258) for services provided to N E Lincolnshire council. The outstanding balance owed to the Humberside Partnership as at 31 March 2004 was £18,459 (2003 - £4,160).

During the year B E Roberts who served as a director of Humberside Partnership was employed by N Lincolnshire council. Humberside Partnership was reimbursed £88,270 (2003 - £25,152) for services provided to N Lincolnshire council. The outstanding balance owed to the Humberside Partnership as at 31 March 2004 was £9,000 (2003 - £nil).

Notes to the financial statements

at 31 March 2004

19. Related party transactions (continued)

The following companies who are considered to be subsidiary undertakings of The Humberside Partnership Group Limited and therefore related parties to Humberside Partnership:

- The Loft (Grimsby) Limited – by virtue of 100% of the voting rights being controlled by The Humberside Partnership Group Limited as the principal member; and
- The Humberside Partnership (Adults) Limited, The Humberside Partnership (Work Experience) Limited, The Humberside Partnership (Training) Limited and Purple Spider Limited – by virtue of 100% ownership of the companies' shares.

In addition to the amounts due to or from group undertakings disclosed above, the transactions with these related parties can be summarised as follows:

- Sales to group undertakings £82,645; and
- Purchases from group undertakings £25,424.

No amounts have been written off in the year in respect of debts due to or from group undertakings.

These transactions have been entered into on an arm's length basis in the ordinary course of business and have been approved by the board of directors.

20. Ultimate parent company

The company's immediate parent undertaking is The Humberside Partnership Group Limited, a company registered in England and Wales. Copies of the accounts are available from the registered office, 24 Priory Tec Park, Saxon Way, Hessle, East Yorkshire, HU13 9PB.

A deed of exchange was entered into between Connexions Humber Limited and the members of The Humberside Partnership Group Limited on 30 June 2004 and as a result all directors of the company resigned and were replaced by directors nominated by Connexions Humber Limited. From that date Connexions Humber Limited became the ultimate parent undertaking and controlling party of the company. Copies of the accounts are available from the registered office, 24 Priory Tec Park, Saxon Way, Hessle, East Yorkshire, HU13 9PB.