

COMPANY REGISTRATION NUMBER 4182567

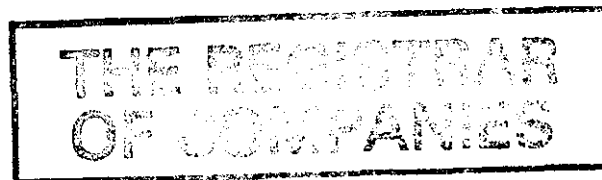


Connexions Cumbria Limited

FINANCIAL STATEMENTS

31 MARCH 2006

Company Limited by Guarantee



Armstrong Watson
Chartered Accountants & Registered Auditors
Fairview House
Victoria Place
Carlisle
Cumbria
CA1 1HP

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

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CONNEXIONS CUMBRIA LIMITED COMPANY LIMITED BY GUARANTEE

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Chief Constable M Baxter
Ms B Cannon
Professor C J Carr MA BCL (Chair)
Mr V J Dodd
Mr M Farley
Ms C l'Anson
Mrs Y Lake
Mr M Maiden
Mr M Murphy
Miss S A Rees
Mr J Robson
Mr G Wilkinson
Dr J Vickers
Dr J Stanforth
Mrs M Mooney
Mrs M Swann

Company secretary

Mr M Bowman

Registered office

Partnership Office
The South Range
Hackthorpe Hall Business Centre
Penrith
CA10 2HX

Auditor

Armstrong Watson
Chartered Accountants
& Registered Auditors
Fairview House
Victoria Place
Carlisle
Cumbria
CA1 1HP

Bankers

HSBC Plc
PO Box 5
29 English Street
Carlisle
Cumbria
CA3 8JT

Solicitors

Burnetts Solicitors
6 Victoria Place
Carlisle
Cumbria
CA1 1ES

CONNEXIONS CUMBRIA LIMITED COMPANY LIMITED BY GUARANTEE

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2006

The directors present their report and the financial statements of the company for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was advising young people and adults in Cumbria.

RESULTS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

DIRECTORS

The directors who served the company during the year were as follows:

Chief Constable M Baxter
Ms B Cannon
Professor C J Carr MA BCL
(Chair)
Mr V J Dodd
Mr M Farley
Ms C I'Anson
Mrs Y Lake
Mr M Maiden
Mr M Murphy
Miss S A Rees
Mr J Robson
Mr G Wilkinson
Dr J Vickers
Dr J Stanforth
Mrs M Mooney
Mrs M Swann
Mr M R Carey
Mrs V Ashfield

(Appointed 19 September 2005)
(Appointed 19 September 2005)
(Appointed 19 September 2005)
(Retired 23 January 2006)
(Retired 17 August 2005)

RETIREMENT OF DIRECTORS

The following directors are to retire from the board in accordance with the Articles of Association and, being eligible, offer themselves for re-appointment:

Mr V J Dodd
Mrs Y Lake
Mr M Maiden
Mr G Wilkinson

CONNEXIONS CUMBRIA LIMITED COMPANY LIMITED BY GUARANTEE

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2006

CORPORATE GOVERNANCE

The company is committed to high standards of corporate governance. The board is responsible for good governance and this statement summarises how the relevant principles are applied to the company.

The board currently comprises the non-executive chairman, the chief executive and 14 non-executive directors. They demonstrate a range of experience which is crucial to the successful direction of the company. All of the non-executives are independent of management.

All directors are equally accountable in law for the proper stewardship of the company's affairs. The non-executives have a particular responsibility to ensure that strategies proposed by the management team are fully discussed and critically appraised to ensure that they not only meet the company's objectives, but also take into account the interests of employees and the community in which the company operates.

The non-executive directors regularly monitor the performance of the company.

To enable directors to meet their responsibilities the full board meets at least four times a year, all directors have full and timely access to all relevant information and there is frequent communication between meetings. The Ofsted report (March 2004) stated that 'the Board and senior management provide clear and strategic direction'.

INTERNAL CONTROL STATEMENT

The Board is responsible for the company's systems of internal control and for reviewing their effectiveness during the year. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable not absolute assurance against material misstatement or loss.

The key features of the control system which has been established include the following:

- Audit Committee, made up of the chief-executive and three non-executive directors review the internal control system.
- The Board has identified strategic risks to the business and the processes to manage these risks.
- Strict procedures are in place to control expenditure that can be incurred on behalf of the company by directors or staff,
- The Ofsted report (March 2004) stated 'that the financial management is strong',
- The Government Office for the North West concluded that 'the financial control environment currently operating at the Partnership is satisfactory' (March 2005),
- The internal auditors report for the year concluded 'the Company has maintained an adequate, effective and reliable framework of internal control which provides reasonable assurance regarding the effective and efficient achievement of the Company's objectives'.

BOARD COMMITTEES

The board has three committees with the following membership.

CONNEXIONS CUMBRIA LIMITED COMPANY LIMITED BY GUARANTEE

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2006

The audit committee is made up of the chief executive, three non-executive directors and one co-opted member as follows:

M Farley (Chair)
C L'Anson
J Robson
S Rees (Chief Executive)
W Swarbrick (Co-opted)

The staffing committee is made up of the chief executive and four non-executive directors as follows:

C J Carr (Chair)
M Farley
M Murphy
B Cannon
S Rees (Chief Executive)

The performance management committee is made up of the chief executive, six non-executive directors and one co-opted member as follows:

Y Lake (Chair)
C J Carr
M Maiden
S Rees (Chief Executive)
J Vickers
P Chapplehow (Co-opted)
M Pickthall (Co-opted)

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements 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 year. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 13 to 14, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2006

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 financial statements comply with the Companies Act 1985. The directors 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.

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.

AUDITOR

A resolution to re-appoint Armstrong Watson as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Partnership Office
The South Range
Hackthorpe Hall Business Centre
Penrith
CA10 2HX

Signed on behalf of the directors



Miss S REES
Director

Approved by the directors on 20 September 2006

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CONNEXIONS CUMBRIA LIMITED****YEAR ENDED 31 MARCH 2006**

We have audited the financial statements of Connexions Cumbria Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes. 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 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 AUDITOR

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is 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 other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

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

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

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CONNEXIONS CUMBRIA LIMITED *(continued)***

YEAR ENDED 31 MARCH 2006

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 March 2006 and of its loss for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985; and

the information given in the Directors' Report is consistent with the financial statements for the year ended 31 March 2006.

CARLISLE



ARMSTRONG WATSON
Chartered Accountants
& Registered Auditors

20 September 2006

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2006

	Note	2006 £	2005 (restated) £
TURNOVER	2	7,480,293	7,320,228
Administrative expenses		<u>(7,650,084)</u>	<u>(7,364,581)</u>
OPERATING LOSS	3	(169,791)	(44,353)
Interest receivable and similar income	6	73,413	29,144
Amounts written off investments	7	—	(2)
Interest payable and similar charges	8	(7)	(58)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(96,385)</u>	<u>(15,269)</u>
Tax on loss on ordinary activities	9	(4,756)	(7,194)
LOSS FOR THE FINANCIAL YEAR		<u>(101,141)</u>	<u>(22,463)</u>

All of the activities of the company are classed as continuing.

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 MARCH 2006

	2006	2005 (restated)
	£	£
Loss for the financial year attributable to the members	(101,141)	(22,463)
Actuarial gain/(loss) in respect of defined benefit pension scheme	(539,000)	(223,000)
Total recognised gains and losses relating to the year	<u>(640,141)</u>	<u>(245,463)</u>
Prior year adjustment (see note 10)	<u>(1,426,000)</u>	<u>(1,414,000)</u>
Total gains and losses recognised since the last annual report	<u>(2,066,141)</u>	<u>(1,659,463)</u>

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

BALANCE SHEET

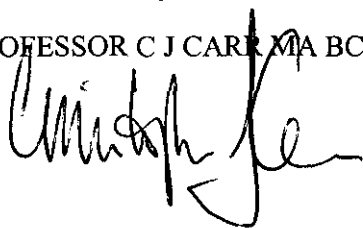
31 MARCH 2006

	Note	2006		2005 (restated)	
		£	£	£	£
FIXED ASSETS					
Tangible assets	11		171,347		209,975
CURRENT ASSETS					
Debtors	12	937,351		961,894	
Cash at bank		<u>682,613</u>		<u>732,700</u>	
		1,619,964		1,694,594	
CREDITORS: Amounts falling due within one year	13	<u>645,189</u>		<u>694,720</u>	
NET CURRENT ASSETS			<u>974,775</u>		<u>999,874</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,146,122</u>		<u>1,209,849</u>
CREDITORS: Amounts falling due after more than one year	14		131,642		155,228
PENSION ASSET/(LIABILITY)	15		<u>(2,026,000)</u>		<u>(1,426,000)</u>
			<u>(1,011,520)</u>		<u>(371,379)</u>
RESERVES	17				
Profit and loss account	18		<u>(1,011,520)</u>		<u>(371,379)</u>
DEFICIT			<u>(1,011,520)</u>		<u>(371,379)</u>

These financial statements were approved by the directors on the 20 September 2006 and are signed on their behalf by:

PROFESSOR C J CARR MA BCL (CHAIR)

MISS S A REES




**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2006

	2006	2005 (restated)
	£	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(41,191)	139,137
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	24,413	27,144
Interest paid	(7)	(58)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	24,406	27,086
TAXATION	(7,172)	(1,190)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(2,544)	(36,271)
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(2,544)	(36,271)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(26,501)	128,762
FINANCING		
Net outflow from other long-term creditors	—	(81,504)
Net outflow from long-term accruals	(23,586)	(27,818)
NET CASH OUTFLOW FROM FINANCING	(23,586)	(109,322)
(DECREASE)/INCREASE IN CASH	(50,087)	19,440

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 MARCH 2006

**RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW
FROM OPERATING ACTIVITIES**

	2006	2005 <i>(restated)</i>
	£	£
Operating loss	(169,791)	(44,353)
Depreciation	41,172	207,392
Decrease/(increase) in debtors	24,543	(2,332)
Decrease in creditors	(47,115)	(118,570)
Provision for service cost of defined benefit pension scheme	552,000	500,000
Defined benefit pension scheme contributions paid	(442,000)	(403,000)
Net cash (outflow)/inflow from operating activities	<u>(41,191)</u>	<u>139,137</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006	2005 <i>(restated)</i>
	£	£
(Decrease)/increase in cash in the period	(50,087)	19,440
Net cash outflow from other long-term creditors	—	81,504
Net outflow from from long-term accruals	<u>23,586</u>	<u>27,818</u>
	<u>(50,087)</u>	<u>100,944</u>
Change in net funds	<u>(26,501)</u>	<u>128,762</u>
Net funds at 1 April 2005	<u>577,472</u>	<u>448,710</u>
Net funds at 31 March 2006	<u>550,971</u>	<u>577,472</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Apr 2005 £	Cash flows £	At 31 Mar 2006 £
Net cash:			
Cash in hand and at bank	<u>732,700</u>	<u>(50,087)</u>	<u>682,613</u>
Debt:			
Debt due after 1 year	<u>(155,228)</u>	<u>23,586</u>	<u>(131,642)</u>
Net funds	<u>577,472</u>	<u>(26,501)</u>	<u>550,971</u>

CONNEXIONS CUMBRIA LIMITED COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

- the final transitional arrangements requiring full adoption of FRS 17 'Retirement Benefits'; and
- the presentation requirements of 'FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'".

FRS 17 'Retirement Benefits'

FRS 17 has been adopted in full in the current year. This has required the pension fund liability to be recognised in the financial statements. The effect on the current year has been to increase the charge to the profit and loss account by £61,000 (2005 -£95,000) and the charge to reserves for actuarial losses of £539,000 (2005 - £83,000 credit)

There has been a prior year adjustment of £1,426,000 to reflect the accumulated pension liability.

FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'

Financial Reporting Standard 25 was adopted for the first time this year. The adoption has had no effect on the company's accounting policies or reported results.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	Straight Line over the term of the lease
Plant & Machinery	-	33 1/3% Straight Line
Fixtures & Fittings	-	33 1/3% Straight Line
Motor Vehicles	-	33 1/3% Straight Line
Equipment	-	33 1/3% Straight Line

CONNEXIONS CUMBRIA LIMITED COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company.

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using long dated high quality corporate bond rate.

Pension scheme assets are valued at market value at the balance sheet date.

The pension scheme deficit is recognised in full on the balance sheet.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2006	2005 <i>(restated)</i>
	£	£
United Kingdom	<u>7,480,293</u>	<u>7,320,228</u>

3. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2006	2005 <i>(restated)</i>
	£	£
Depreciation of owned fixed assets	41,172	207,392
Auditor's remuneration		
- as auditor	4,635	4,500
Operating lease costs:		
Land and buildings	331,822	320,468
Vehicles	31,509	39,679

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

3. OPERATING LOSS *(continued)*

Amounts written off Inter Group loan	—	(81,504)
Capital Distribution received from Subsidiary on liquidation	—	<u>(13,052)</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2006	2005 <i>(restated)</i>
	No	No
Average number of staff employed	<u>235</u>	<u>231</u>

The aggregate payroll costs of the above were:

	2006	2005 <i>(restated)</i>
	£	£
Wages and salaries	4,450,890	4,173,548
Social security costs	323,903	304,726
Pension costs - operating charges	553,195	538,079
Staff costs - operating charges	<u>5,327,988</u>	<u>5,016,353</u>
Pension costs - net finance income	<u>(49,000)</u>	<u>(2,000)</u>
	<u>5,278,988</u>	<u>5,014,353</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	2006	2005 <i>(restated)</i>
	£	£
Emoluments receivable	<u>80,570</u>	<u>71,251</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2006	2005 <i>(restated)</i>
	No	No
Defined benefit schemes	<u>1</u>	<u>1</u>

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	2005 (restated)
	£	£
Bank interest receivable	24,413	27,144
Net finance income in respect of defined benefit pension schemes	49,000	2,000
	<u>73,413</u>	<u>29,144</u>

7. AMOUNTS WRITTEN OFF INVESTMENTS

	2006	2005 (restated)
	£	£
Amount written off investments	<u>-</u>	<u>2</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005 (restated)
	£	£
Interest payable on bank borrowing	<u>7</u>	<u>58</u>

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2006	2005 (restated)
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 19% (2005 - 19%)	4,756	7,194
Total current tax	<u>4,756</u>	<u>7,194</u>

The company is not liable to tax on any profits arising from its principal activity. Any interest received is taxable.

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

9. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2005 - 19%).

	2006	2005 <i>(restated)</i>
	£	£
Loss on ordinary activities before taxation	<u>(96,385)</u>	<u>(15,269)</u>
Profit/(loss) on ordinary activities by rate of tax	(18,313)	(2,901)
Adjustment for non-taxable items	23,069	8,640
Taxation at marginal rates	-	1,435
Adjustments to tax charge in respect of previous periods	-	20
Total current tax (note 9(a))	<u>4,756</u>	<u>7,194</u>

10. PRIOR YEAR ADJUSTMENT

The Company has complied with the full adoption of Financial Reporting Standard 17 'Retirement Benefits' during the year. This has necessitated providing for the pension fund deficit in the financial statements. The effect has been to reduce the brought forward reserves by £1,426,000 and to reduce the reserves brought forward into 2005 by £1,414,000.

11. TANGIBLE FIXED ASSETS

	Leasehold Improv'ts £	Computer £	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
COST						
At 1 Apr 2005	170,005	340,340	224,798	51,169	124,870	911,182
Additions	1,175	-	-	-	1,369	2,544
At 31 Mar 2006	<u>171,180</u>	<u>340,340</u>	<u>224,798</u>	<u>51,169</u>	<u>126,239</u>	<u>913,726</u>
DEPRECIATION						
At 1 Apr 2005	19,612	319,586	222,918	17,056	122,035	701,207
Charge for the year	8,932	10,952	940	17,057	3,291	41,172
At 31 Mar 2006	<u>28,544</u>	<u>330,538</u>	<u>223,858</u>	<u>34,113</u>	<u>125,326</u>	<u>742,379</u>
NET BOOK VALUE						
At 31 Mar 2006	<u>142,636</u>	<u>9,802</u>	<u>940</u>	<u>17,056</u>	<u>913</u>	<u>171,347</u>
At 31 Mar 2005	<u>150,393</u>	<u>20,754</u>	<u>1,880</u>	<u>34,113</u>	<u>2,835</u>	<u>209,975</u>

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

12. DEBTORS

	2006	2005 (restated)
	£	£
Trade debtors	498,750	616,330
Amounts owed by group undertakings	—	13,052
Other debtors	342,574	217,380
Prepayments and accrued income	96,027	115,132
	<u>937,351</u>	<u>961,894</u>

13. CREDITORS: Amounts falling due within one year

	2006	2005 (restated)
	£	£
Trade creditors	83,757	—
Other creditors including taxation and social security:		
Corporation tax	4,756	7,172
PAYE and social security	115,378	102,108
VAT	12,245	15,666
Other creditors	57,389	73,592
	<u>189,768</u>	<u>198,538</u>
Accruals and deferred income	371,664	496,182
	<u>645,189</u>	<u>694,720</u>

14. CREDITORS: Amounts falling due after more than one year

	2006	2005 (restated)
	£	£
Accruals and deferred income	<u>131,642</u>	<u>155,228</u>

15. PENSION COMMITMENTS

The company contributes to the Greater Manchester Pension Fund (a Local Government Pension Scheme) on behalf of its employees to provide benefits based on final pensionable pay. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over employee's working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last full actuarial valuation was at 31st March 2004 and updated to 31st March 2006. The main assumptions used by the actuary were:-

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

15. PENSION COMMITMENTS *(continued)*

	2006 %	2005 %	2004 %
Rate of increase in salaries	4.6	4.4	4.4
Rate of increase in pensions in payment	3.1	2.9	2.9
Discount rate	4.9	5.4	5.5
Inflation assumption	3.1	2.9	2.9

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus/(deficit) are:

	2006		2005		2004
	Long-term rate of return expected %	Value £	Long-term rate of return expected %	Value £	Value £
Equities	7.4	7,299,000	7.7	5,834,000	3,713,000
Bonds	4.6	1,771,000	4.8	1,214,000	872,000
Property	5.5	1,035,000	5.7	872,000	563,000
Others	4.6	1,038,000	4.8	698,000	340,000
Total market value of assets		11,143,000		8,618,000	5,488,000
Present value of scheme liabilities		(13,169,000)		(10,044,000)	(6,902,000)
Net pension liability		<u>(2,026,000)</u>		<u>(1,426,000)</u>	<u>(1,414,000)</u>

An analysis of the movements in surplus/(deficit) during the year are shown below:

	2006 £	2005 (restated) £
At 1 April	(1,426,000)	(1,414,000)
Total operating charge	(552,000)	(500,000)
Total other finance income	49,000	2,000
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	(539,000)	83,000
Contributions	442,000	403,000
At 31 March	<u>(2,026,000)</u>	<u>(1,426,000)</u>

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

15. PENSION COMMITMENTS *(continued)*

An analysis of the defined benefit cost follows:

Analysis of the amount charged to operating loss:

	2006	2005 (restated)
	£	£
Current service cost	(552,000)	(500,000)
Total operating charge	<u>(552,000)</u>	<u>(500,000)</u>

Analysis of the amount credited to finance income:

	2006 £	2005 £
Other finance costs: expected return on assets in the scheme	608,000	399,000
Other finance costs: interest costs	<u>(559,000)</u>	<u>(397,000)</u>
Total finance income	<u>49,000</u>	<u>2,000</u>

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

	2006 £	2005 £
STRGL: difference between expected and actual return on assets	1,396,000	384,000
STRGL: experience gains/(losses) arising from scheme liabilities	2,000	(78,000)
STRGL: effect of changes in assumptions underlying the present value of scheme liabilities	<u>(1,937,000)</u>	<u>(223,000)</u>
Actuarial (losses)/gains	<u>(539,000)</u>	<u>83,000</u>

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

15. PENSION COMMITMENTS *(continued)*

A history of experience gains and losses is shown below:

	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:				
- amount (£)	1,396,000	384,000	749,000	(1,085,000)
- % of scheme assets	13	4	14	(27)
Experience gains/(losses) on scheme liabilities:				
- amount (£)	2,000	(78,000)	(13,000)	264,000
- % of the present value of scheme liabilities	—	(1)	—	5
Total amount recognised in statement of total recognised gains and losses:				
- amount (£)	(539,000)	83,000	224,000	(1,286,000)
- % of the present value of scheme liabilities	(4)	1	3	(23)

16. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

17. COMPANY LIMITED BY GUARANTEE

Every member of the Company undertakes to contribute such amount as may be required (not exceeding £1) to the Company's assets if it should be wound up while he is a member or within one year after he ceases to be a member, for payment of the Company's debts and liabilities contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves.

**CONNEXIONS CUMBRIA LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2006

18. PROFIT AND LOSS ACCOUNT

	2006	2005 (restated)
	£	£
Original balance brought forward	1,054,621	982,084
Prior year adjustment (note 10)	(1,426,000)	(1,414,000)
Restated balance brought forward	(371,379)	(431,916)
Accumulated loss for the financial year	(101,141)	(22,463)
Defined pension benefit scheme	(539,000)	83,000
Balance carried forward	<u>(1,011,520)</u>	<u>(371,379)</u>