

**CAREERS WALES MID GLAMORGAN
AND POWYS LIMITED**

(formerly MID GLAMORGAN

CAREERS LIMITED)

(limited by guarantee)

Report and Financial Statements

31 March 2006



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COMPANIES HOUSE 14/09/2006

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
(formerly MID GLAMORGAN CAREERS LIMITED)
(limited by guarantee)

REPORT AND FINANCIAL STATEMENTS 2006

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CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
(formerly MID GLAMORGAN CAREERS LIMITED)
(limited by guarantee)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

| | |
|--------------|---|
| A Williams | (Audit and Risk Management Committee member) |
| J R Cocks | |
| J A Jones | (Audit and Risk Management Committee member) |
| H O Thomas | (Audit and Risk Management Committee member) |
| G Morgan | (Chairman of Audit and Risk Management Committee) |
| E L Hancock | (Audit and Risk Management Committee member) |
| P E Raybould | |
| E V James | |
| W Norris | Appointed 1 April 2005 |
| M Westhorpe | Appointed 1 April 2005 |
| A Tillotson | (Chairman) Appointed 1 April 2005 |
| A Guy | Appointed 1 April 2005 (Audit and Risk Management Committee member) |
| T A Coles | Appointed 1 April 2005 |
| J Chapman | Appointed 1 April 2005 |

J A Jones resigned as Chairman of the Audit and Risk Management Committee on 8 November 2005; this was reported to the Board on 31 January, 2006.

J Hopkins was appointed to the Board on 1 April 2005 and resigned on 30 May 2006.

SECRETARY

Susan Nesta Phillips

REGISTERED OFFICE

10/11 Centre Court
Treforest Industrial Estate
Pontypridd
CF37 5YR

BANKERS

NatWest Bank Plc

SOLICITORS

Eversheds LLP

AUDITORS

Deloitte & Touche LLP
Cardiff, United Kingdom

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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DIRECTORS' REPORT

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

BUSINESS REVIEW AND PRINCIPLE ACTIVITIES

The principal activity of the company is to provide all-age careers information and guidance services. The company also has contractual responsibility for a range of education business link activities.

On 1 April 2005, the company merged with Careers Wales Powys Limited to become a single entity named Careers Wales Mid Glamorgan and Powys Limited. This combination has been accounted for via the merger accounting method (refer to note 16).

The results for the financial year are shown on page 9. The surplus retained will be used to provide sufficient working capital to ensure that the company is self-supporting. The minimum working capital requirement is estimated to be approximately 10% of anticipated income for the forthcoming financial year. The remainder is held in a premises reserve and the income and expenditure account. The company intends to continue using the extra surplus in projects aimed at enhancing the delivery of services.

None of the surplus or reserves of the company can be paid by way of dividends or other distribution.

The company will also receive, over the next 12 months, Objective 1 and Objective 3 European funding to enhance a range of services linked to the theme of employability and lifelong learning.

A substantial amount of progress has been made over the year in harmonising the delivery and quality of services across the whole of the new company area as well as the terms and conditions of employment. Further challenges remain but the prospects of developing "one company" in all aspects by April 2007 are extremely good.

During the year, a high level of resources was allocated to supporting nearly 2,000 adults in the Mid Glamorgan area who were facing immediate redundancy. There is also increasing demand from adults in the wider community for our services. The task for the company in future years will be to manage resources in such ways that we can respond to increasing numbers of adults requiring our services whilst at the same time fulfil the key player role in supporting the development of the Welsh Assembly Government's 14-19 agenda.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee meets as appropriate and maintains a close contact with the company's auditors. The committee has continued a programme of internal review and testing, and will continue to monitor and discuss its findings with the auditors.

REPORT OF THE POLICY AND STRATEGY COMMITTEE

The committee meets to review current policies and strategies, and provide strategic direction and recommendations on how to respond to new developments.

REPORT ON THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

The committee meets as appropriate to review company structures, HR issues and advises on levels of remuneration.

DIRECTORS

The directors of the company, with dates of appointment where appropriate, are as set out on page 1.

DIRECTORS' LIABILITY INSURANCE

During the year, the company has purchased insurance for directors to cover loss arising from claims for wrongful acts in their capacity as directors of the company.

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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DIRECTORS' REPORT (continued)

LIMITED BY GUARANTEE

The company is limited by guarantee and, as such, has no shareholders.

CORPORATE GOVERNANCE

It is the policy of the directors to manage the affairs of the company in accordance with appropriate standards for good Corporate Governance, including the FRC 2003 Combined Code on Corporate Governance.

The provisions are divided into four parts:

- Part A: Directors
- Part B: Directors' Remuneration
- Part C: Accountability and Audit
- Part D: Relations with Members

Set out below is a statement of how the company has applied the principles set out in the four parts.

Part A: Directors

Board of Directors

The company's directors are members of the company. The company's Board of directors is constituted with not less than eight nor more than 15 directors with equal representation in respect of the following four sectors:

- education and training
- local authority
- business
- voluntary

Subject to the company's Memorandum and Articles of Association, all directors are appointed for a maximum of three years. Directors may be reappointed for a further period or periods of three years.

All the directors are non-executive. The matters referred to the Board of directors are set out in their Terms of Reference and in the company's Articles of Association.

The Board of directors meets at least every three months and has three committees, namely an Audit and Risk Management Committee, a Human Resources and Remuneration Committee and a Policy and Strategy Committee.

Audit and Risk Management Committee

G Morgan (Chair)
A Williams
J A Jones
H O Thomas
A Guy
E L Hancock

The Audit and Risk Management Committee, on behalf of the Board of directors, reviews the effectiveness of the system of internal control. The committee meets at least twice a year and considers detailed reports with recommendations for improvement of the company's systems of internal control.

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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DIRECTORS' REPORT (continued)

Human Resources and Remuneration Committee

A Williams
A Tillotson
J Hopkins
W Norris
J Chapman (Chair)

The Human Resources and Remuneration Committee recommends to the Board the annual remuneration of the Chief Executive, Corporate Services Manager and Finance Manager. It recommends proposed pay awards of staff to the full Board. It also gives advice and support on disciplinary and grievance procedures, and personnel issues generally as well as health and safety.

Policy and Strategy Committee

J R Cocks
E V James
T A Coles
M Westhorpe
P E Raybould

The main remit of the Policy and Strategy Committee is as follows:

1. to provide strategic direction to the company on key areas of service development;
2. to review the impact of current strategies;
3. to consider appropriate resource allocation for the implementation of strategies.

Part B: Directors' Remuneration

The directors who serve on the company's Board are not remunerated.

Part C: Accountability and Audit

Directors' responsibilities

The statement of directors' responsibilities in relation to the financial statements is set out on page 7 of the annual financial statements.

Auditors

Auditors' responsibilities are included as part of the report of the auditors. The auditors have a tenure of three years.

Going concern

The Board of directors has ensured that the financial statements are prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. On the basis of current financial projections and facilities available, the Board is satisfied that the company has adequate resources to continue its operation for the foreseeable future. For this reason, the going concern basis continues to be accepted in the preparation of the financial statements.

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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DIRECTORS' REPORT (continued)

Statement on internal control

A sound system of internal control has been in place in the group throughout the year ended 31 March 2006 and up to the date of approval of these financial statements.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable, not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and managers, who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports.

The key elements of the system are as follows:

- a) The policies and procedures which establish guidelines relating to the company's operations and business affairs. These include policies on human resources, recruitment, health and safety, equal opportunities, IT, information, complaints procedures etc.
- b) Review process procedures, which enable records and procedures relating to the company to be subject to an audit at any time by the Welsh Assembly Government, internal and external auditors.
- c) Clearly defined appropriate organisational structures for planning, executing, controlling and monitoring business operations in order to achieve company objectives.

Lines of responsibility and delegations of authority are documented.

- d) Annual business plans for all activities, performance monitoring and regular reporting thereon to the directors and the Welsh Assembly Government.
- e) Internal auditors to review key business processes and controls, whose work is performed in accordance with the requirements of the Welsh Assembly Government and the standards for internal audit promulgated by HM Treasury and having regard to the Government Internal Audit Standards (GIAS).
- f) Aspects of business conducted are covered by the Financial Regulations, which provide guidance on declaration of interest and the acceptance of gifts or hospitality.
- g) Management is responsible for the identification and evaluation of significant risks applicable to its areas of activity, together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and will be associated with a variety of internal or external sources. These are grouped under the headings of Financial Risks, Information Risks, People Risks, External Risks and Operational/Strategic Risks.

Management reports annually on its review of risks and how they are managed to the Audit and Risk Management Committee, whose role is to review, on behalf of the Board, the key risks inherent within the organisation and the system of control necessary to manage such risks. Internal audit reviews independently the risk identification procedures and control process implemented by management.

Part D: Relations with Members

The company maintains good communications with members, primarily through the reports submitted to the Board of directors.

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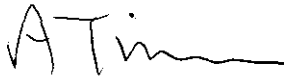
DIRECTORS' REPORT (continued)

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board



A Tillotson
Chairman

Date25-7-06.....

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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; and
- state whether applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
(formerly MID GLAMORGAN CAREERS LIMITED) (limited by guarantee)**

We have audited the financial statements of Careers Wales Mid Glamorgan and Powys Limited for the year ended 31 March 2006 which comprise the income and expenditure account, the statement of total recognised gains and losses, the combined statement of movements on reserves and reconciliation of movement in total funds, the balance sheet, the cash flow statement and the related notes 1 to 17. 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 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

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 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 directors' report is consistent with the financial statements.

Deloitte Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

Date *13 September 2006*

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 2006

| | | 2006 | 2005 (as restated – see note 16 & 17) |
|---|------|---------|--|
| | Note | £'000 | £'000 |
| TURNOVER | 2 | 9,786 | 9,242 |
| Administrative expenses | | (9,469) | (9,396) |
| OPERATING SURPLUS/(DEFICIT) | | 317 | (154) |
| Interest payable and similar charges | 4 | (246) | (304) |
| Interest receivable and similar income | 5 | 93 | 71 |
| SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | 164 | (387) |
| Tax on surplus on ordinary activities | 7 | (18) | (13) |
| SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR | | 146 | (400) |

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2006

| | 2006 | 2005 (as restated – see note 16 & 17) |
|--|---------|--|
| | £'000 | £'000 |
| Surplus/(deficit) for the financial year | 146 | (400) |
| Actuarial gain recognised in the pension schemes | 47 | 606 |
| Total gains recognised in the year | 193 | 206 |
| Prior year adjustment (see note 17) | (7,998) | |
| Total losses and gains recognised since last financial statements | (7,805) | |

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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**COMBINED STATEMENT OF MOVEMENTS ON RESERVES AND
RECONCILIATION OF MOVEMENT IN TOTAL FUNDS**

Year ended 31 March 2006

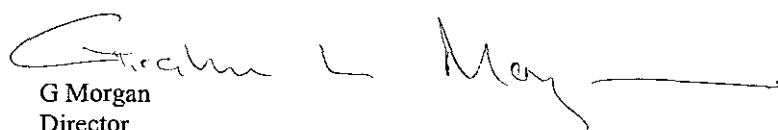
| | Income & expenditure account £'000 | FRS 17 reserve £'000 | Working capital reserve £'000 | Premises reserve £'000 | 2006 Total £'000 | 2005 Total £'000 |
|--|---|----------------------------|--|------------------------------|------------------------|------------------------|
| Balance brought forward (as restated – see note 16) | 413 | (7,770) | 965 | 200 | (6,192) | 1,805 |
| Prior year adjustment (see note 17) | - | - | - | - | - | (8,203) |
| Balance brought forward as restated | 413 | (7,770) | 965 | 200 | (6,192) | (6,398) |
| Surplus/(deficit) for the year | 146 | - | - | - | 146 | (400) |
| Net pension cost recognised in the income & expenditure account | 306 | (306) | - | - | - | - |
| Actuarial gain | - | 47 | - | - | 47 | 606 |
| Balance at 31 March | 865 | (8,029) | 965 | 200 | (5,999) | (6,192) |

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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BALANCE SHEET
31 March 2006

| | | | 2005 (as restated – see note 16 & 17) £'000 | 2006 £'000 |
|---|------|--|---|---------------|
| | Note | | | |
| FIXED ASSETS | | | | |
| Tangible assets | 8 | | 12 | 29 |
| CURRENT ASSETS | | | | |
| Debtors | 9 | | 1,269 | 1,144 |
| Cash at bank and in hand | | | 1,601 | 1,821 |
| | | | 2,870 | 2,965 |
| CREDITORS: amounts falling due within one year | 10 | | (1,304) | (964) |
| NET CURRENT ASSETS | | | 1,566 | 2,001 |
| NET ASSETS EXCLUDING PENSION LIABILITY | | | 1,578 | 2,030 |
| Pension liability | | | (7,770) | (8,029) |
| NET LIABILITIES INCLUDING PENSION LIABILITY | | | (6,192) | (5,999) |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 11 | | - | - |
| Income and expenditure account | | | 413 | 865 |
| Working capital reserve | | | 965 | 965 |
| Premises reserve | | | 200 | 200 |
| Superannuation fund reserve | | | (7,770) | (8,029) |
| | | | (6,192) | (5,999) |

These financial statements were approved by the Board of Directors on 25 July 2006
Signed on behalf of the Board of Directors


G Morgan
Director

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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CASH FLOW STATEMENT
Year ended 31 March 2006

| | | | 2005 (as restated – see note 16 & 17) |
|--|-------|-------|--|
| | Note | £'000 | £'000 |
| Net cash inflow/(outflow) from operating activities | 15(a) | 454 | (65) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 93 | 71 |
| Net cash inflow from returns on investments and servicing of finance | | 93 | 71 |
| Taxation | | | |
| UK corporation tax paid | | (13) | (11) |
| Tax paid | | (13) | (11) |
| Capital expenditure and financial investment | | | |
| Payments to acquire tangible fixed assets | | (30) | (12) |
| Proceeds from disposal of tangible fixed assets | | - | 12 |
| Net cash (outflow)/inflow from capital expenditure and financial investment | | (30) | - |
| Increase/(decrease) in cash in the year | 15(b) | 504 | (5) |

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the financial year and the prior financial period, are described below.

The company prepares an income and expenditure statement which is a departure from the accounting principles of the Companies Act 1985 which, under Schedule 4, requires a profit and loss account. The departure has been made as the company is a not-for-profit company and consequently the use of a profit and loss account is not considered appropriate. This departure is permitted under Schedule 4 Part II Paragraph 15 of the Companies Act 1985. There is no financial effect of this departure from the statutory accounting rules.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Individual items costing less than £2,500 are treated as expenditure in the year of purchase. Items costing more than £2,500 are capitalised and depreciated at an appropriate rate so as to write off the cost over the expected useful economic life of the asset. The following rates are used:

| | | |
|----------------------------------|---|-------------------------|
| Equipment, fixtures and fittings | - | 20 – 33 $\frac{1}{3}$ % |
|----------------------------------|---|-------------------------|

Leased assets

Rentals under operating leases are charged to income and expenditure in equal annual amounts over the lease term.

Pension costs

Retirement benefits of the employees of the company are provided by the Rhondda Cynon Taff County Borough Council Pension Fund. This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme.

The level of contributions made to the scheme and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries.

The scheme assets are an estimate of the company's notional share of the total fund assets measured at market value at each balance sheet date and liabilities are measured using the projected unit method, discounted using a corporate bond rate. The company's notional share of assets is assumed to be invested in the same proportion as the fund as a whole in the different asset classes. The resulting pension scheme surplus or deficit is recognised immediately on the balance sheet and any resulting actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Further details are given in note 13.

Reserves

The income and expenditure reserve is money available to spend on pre-approved items.

The working capital reserve is based on 10% of budgeted turnover for the following year.

The premises reserve is required to cover any premises commitments.

The FRS 17 reserve relates to the deficits on the defined benefit pension schemes.

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

2. TURNOVER

Turnover comprises income from the provision of services, and is recognised in line with the relevant expenditure.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors receives remuneration for their services to the company.

| | 2006 £'000 | 2005 (as restated - see note 16 & 17) £'000 |
|---------------------------------------|---------------|---|
| Employee costs during the year | | |
| Wages and salaries | 5,345 | 5,326 |
| Social security costs | 387 | 384 |
| Pension costs | 1,000 | 304 |
| | <u>6,732</u> | <u>6,014</u> |

Pension costs includes £47,000 (2005 - £606,000) actuarial gains recognised in the statement of total recognised gains and losses.

| | No. | No. |
|---|------------|------------|
| Average number of persons employed | | |
| Management | 10 | 17 |
| Administration | 22 | 27 |
| Careers advice | 211 | 218 |
| | <u>243</u> | <u>262</u> |

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2006 £'000 | 2005 (as restated – see note 16 & 17) £'000 |
|--|---------------|---|
| Expected return on pension scheme assets | 697 | 610 |
| Interest on pension scheme liabilities | (943) | (914) |
| | <u>(246)</u> | <u>(304)</u> |

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2006 £'000 | 2005 (as restated – see note 16 & 17) £'000 |
|-----------------------------|---------------|---|
| Interest from bank accounts | 93 | 71 |

6. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2006 £'000 | 2005 (as restated – see note 16 and 17) £'000 |
|---|---------------|---|
| Surplus on ordinary activities before taxation is after charging | | |
| Auditors' remuneration for audit services | 9 | 12 |
| Profit on disposal of tangible fixed assets | - | (2) |
| Rentals under operating leases: | | |
| Plant and machinery | 38 | 39 |
| Land and buildings | 265 | 232 |
| Depreciation – owned assets | 13 | 20 |

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

7. TAX ON SURPLUS ON ORDINARY ACTIVITIES

| | 2005 (as restated – see note 16 and 17) £'000 | 2006 £'000 |
|--|--|---------------|
| Current taxation | | |
| United Kingdom corporation tax: | | |
| Current tax on income for the year at 19% (2005 – 19%) | (13) | (18) |
| | <u>(13)</u> | <u>(18)</u> |
| The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus before tax is as follows: | | |
| | £'000 | £'000 |
| Surplus/(deficit) on ordinary activities before tax | 164 | (387) |
| | <u>164</u> | <u>(387)</u> |
| Tax on surplus/(deficit) on ordinary activities before tax at 19% (2005 - 19%) | (31) | 74 |
| | <u>(31)</u> | <u>74</u> |
| Factors affecting charge for the year | | |
| Non-taxable profit/(loss) | 13 | (87) |
| | <u>13</u> | <u>(87)</u> |
| Current tax charge for year | (18) | (13) |
| | <u>(18)</u> | <u>(13)</u> |

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

8. TANGIBLE FIXED ASSETS

| | Equipment, fixtures and fittings (as restated – see note 16 and 17) £'000 |
|---------------------------------|--|
| Cost | |
| At 1 April 2005 | 60 |
| Additions | 30 |
| | <hr/> |
| At 31 March 2006 | 90 |
| | <hr/> |
| Accumulated depreciation | |
| At 1 April 2005 | 48 |
| Charge for the year | 13 |
| | <hr/> |
| At 31 March 2006 | 61 |
| | <hr/> |
| Net book value | |
| At 31 March 2006 | 29 |
| | <hr/> |
| At 31 March 2005 | 12 |
| | <hr/> |

9. DEBTORS

| | 2006 £'000 | 2005 (as restated – see note 16 & 17) £'000 |
|--------------------------------------|-----------------------|--|
| Amounts falling due within one year: | | |
| Trade debtors | 809 | 876 |
| Other debtors | 63 | 73 |
| Prepayments | 104 | 65 |
| Accrued income | 168 | 255 |
| | <hr/> | <hr/> |
| | 1,144 | 1,269 |
| | <hr/> | <hr/> |

CAREERS WALES MID GLAMORGAN AND POWYS LIMITED
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10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2006 £'000 | 2005 (as restated see note 16 & 17) £'000 |
|--|---------------|---|
| Bank overdraft | 265 | 549 |
| Trade creditors | 108 | 44 |
| Other creditors including taxation and social security | 326 | 297 |
| Accruals | 207 | 242 |
| Deferred income | 58 | 168 |
| | <u>964</u> | <u>1,300</u> |
| | £'000 | £'000 |
| Other creditors including taxation and social security includes: | | |
| Corporation tax | 18 | 13 |
| Taxation and social security | 309 | 285 |
| | <u>327</u> | <u>298</u> |

11. CALLED UP SHARE CAPITAL

The company does not have a share capital, being limited by guarantee to the extent of £1 per member. The maximum number of members is 15 (2005 – 15). The actual number of members at 31 March 2006 was 15 (2005 – 8).

12. OPERATING LEASE COMMITMENTS

The company is committed to making payments under operating leases over the next 12 months on leases which expire as follows:

| | Land and buildings £'000 | Plant and machinery £'000 |
|----------------------------|--------------------------------|---------------------------------|
| Within one year | 6 | 8 |
| Between two and five years | 141 | 24 |
| After five years | 109 | - |
| | <u>256</u> | <u>32</u> |

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13. PENSIONS

The company contributes to two defined benefit pension schemes, the first being the Rhondda Cynon Taff County Borough Council Pension Fund ("RCT Fund") for all employees previously employed by Mid Glamorgan Careers Limited prior to the merger, and the second being the Powys County Council Pension Fund ("Powys Fund").

The latest published valuation of the RCT Fund was carried out as at 31 March 2004. Contributions to the fund have been determined by an independent, qualified actuary using the projected unit method.

The assumptions in the 31 March 2004 valuation which have the most significant effect on the results of the valuation are those relating to the differences between the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the rate of return on investments would be 7.0% per annum, that the general level of salaries would increase at the rate of 4.4% per annum, and that the present and future pensions would increase at the rate of 2.9% per annum.

The market value of the fund's assets as at 31 March 2004 was £6.349m and was sufficient to cover 53% of the fund's liabilities, allowing for future pay increases. The actuary recommended that the employer's contributions were increased to 320% in future years. The company is only one of a number of contributing bodies which form this scheme and therefore only a proportion of the assets and the deficit is attributable to the company and its employees past and present.

The major assumptions used by the actuary were:

| | Valuation at 31 March 2006 | Valuation at 31 March 2005 | Valuation at 31 March 2004 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Discount rate | 4.9% pa | 5.3% pa | 5.4% pa |
| Rate of increase in salaries | 4.5% pa | 4.4% pa | 4.7% pa |
| Rate of increase in pensions in payment | 3.0% pa | 2.9% pa | 2.9% pa |
| Rate of increase in deferred pensions | 3.0% pa | 2.9% pa | 2.9% pa |
| Rate of inflation | 3.0% pa | 2.9% pa | 2.9% pa |

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13. PENSIONS (continued)

The assets in the scheme and the expected rate of return were:

| | Long-term expected return at 31 March 2006 | Value at 31 March 2006 £'000 | Long-term expected return at 31 March 2005 | Value at 31 March 2005 £'000 | Long-term expected return at 31 March 2004 | Value at 31 March 2004 £'000 |
|--|--|---------------------------------------|--|---------------------------------------|--|---------------------------------------|
| Equities | 7.3% | 1,006,980 | 7.7% | 720,000 | 7.7% | 640,980 |
| Government bonds | 4.3% | 150,870 | 4.7% | 149,630 | 4.7% | 124,960 |
| Corporate bonds | 4.9% | 21,690 | 5.3% | 12,820 | 5.5% | 6,210 |
| Property | 6.3% | 230 | 6.7% | 230 | 6.7% | 230 |
| Other assets | 4.6% | 47,760 | 4.8% | 54,830 | 4.2% | 68,320 |
| Average long-term expected rate of return | 6.8% | - | 7.0% | - | 7.1% | - |
| Total market value of assets | | 1,227,530 | | 937,510 | | 840,700 |
| Share of market value of assets | | 10,465 | | 7,749 | | 6,384 |
| Present value scheme liabilities | | (17,104) | | (14,219) | | (12,817) |
| Deficit in the scheme | | (6,639) | | (6,470) | | (6,433) |
| Net pension liability | | (6,639) | | (6,470) | | (6,433) |

Analysis of the amount charged to operating surplus:

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|---|--|--|
| Current service cost and operating charge | 827 | 730 |

Analysis of the amount credited to financing of provisions:

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|--|--|--|
| Expected return on pension scheme assets | 567 | 470 |
| Interest on pension scheme liabilities | (773) | (714) |
| Net charge | (206) | (244) |

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13. PENSIONS (continued)

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

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|--|--|--|
| Difference between actual and expected returns on assets | 1,488 | 242 |
| Experience losses and gains arising on the scheme liabilities | (25) | 306 |
| Changes in assumptions underlying the present value of the scheme liabilities | (1,366) | (232) |
| Actuarial gain recognised in STRGL | <u>97</u> | <u>316</u> |

Movement in deficit during the year:

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|--|--|--|
| Deficit in scheme at beginning of year | (6,470) | (6,433) |
| Movement in year: | | |
| Current service cost | (827) | (730) |
| Contributions paid by the employer | 767 | 621 |
| Net return | 567 | 470 |
| Interest on pension liabilities | (773) | (714) |
| Actuarial gain | 97 | 316 |
| Deficit in scheme at the end of year | <u>(6,639)</u> | <u>(6,470)</u> |

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Year ended 31 March 2006

13. PENSIONS (continued)

History of experience gains and losses:

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|--|--|--|
| Difference between the expected and actual return on scheme assets | | |
| Amount (£'000) | 1,488 | 242 |
| Percentage of scheme assets | 14.2% | 3.1% |
| Experience gains and losses on scheme liabilities | | |
| Amount (£'000) | (25) | 306 |
| Percentage of present value of scheme liabilities | 0.1% | 2.2% |
| Changes in assumptions underlying the present value of the scheme liabilities | | |
| Amount (£'000) | (1,366) | (232) |
| Percentage of present value of scheme liabilities | 8.0% | 1.6% |
| Total amount recognised in STRGL | | |
| Amount (£'000) | 97 | 316 |
| Percentage of present value of scheme liabilities | (0.6%) | 2.2% |

The latest published valuation of the Powys Fund was carried out as at 31 March 2004. Contributions to the fund have been determined by an independent, qualified actuary using the projected unit method.

The assumptions in the 31 March 2004 valuation which have the most significant effect on the results of the valuation are those relating to the differences between the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the rate of return on investments would be 7.0% per annum, that the general level of salaries would increase at the rate of 4.4% per annum, and that the present and future pensions would increase at the rate of 2.9% per annum.

The market value of the fund's assets as at 31 December 2005 was £255.23m.

The major assumptions used by the actuary were:

| | Valuation at 31 March 2006 | Valuation at 31 March 2005 | Valuation at 31 March 2004 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Discount rate | 4.9% pa | 5.3% pa | 5.4% pa |
| Rate of increase in salaries | 4.5% pa | 4.4% pa | 4.7% pa |
| Rate of increase in pensions in payment | 3.0% pa | 2.9% pa | 2.9% pa |
| Rate of increase in deferred pensions | 3.0% pa | 2.9% pa | 2.9% pa |
| Rate of inflation | 3.0% pa | 2.9% pa | 2.9% pa |

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13. PENSIONS (continued)

The assets in the scheme and the expected rate of return were:

| | Long-term expected return at 31 March 2006 | Value at 31 March 2006 £'000 | Long-term expected return at 31 March 2005 | Value at 31 March 2005 £'000 | Long-term expected return at 31 March 2004 | Value at 31 March 2004 £'000 |
|--|--|---------------------------------------|--|---------------------------------------|--|---------------------------------------|
| Equities | 7.3% | 133,610 | 7.7% | 105,920 | 7.7% | 101,620 |
| Government bonds | 4.3% | 64,970 | 4.7% | 48,820 | 4.7% | 58,250 |
| Corporate bonds | 4.9% | 50,110 | 5.3% | 49,670 | 5.5% | 29,650 |
| Property | 6.3% | 12,230 | 6.7% | 9,420 | 6.7% | - |
| Other assets | 4.6% | 2,810 | 4.8% | 4,530 | 4.2% | 2,370 |
| Average long-term expected rate of return | 6.8% | - | 7.0% | - | 7.1% | - |
| Total market value of assets | | 263,730 | | 218,360 | | 191,890 |
| Share of market value of assets | | 2,430 | | 1,900 | | 2,020 |
| Present value scheme liabilities | | (3,820) | | (3,200) | | (3,540) |
| Deficit in the scheme | | (1,390) | | (1,300) | | (1,520) |
| Net pension liability | | (1,390) | | (1,300) | | (1,520) |

Analysis of the amount charged to operating surplus:

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|---|--|--|
| Current service cost and operating charge | 220 | 180 |

Analysis of the amount credited to financing of provisions:

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|--|--|--|
| Expected return on pension scheme assets | 130 | 140 |
| Interest on pension scheme liabilities | (170) | (200) |
| Net charge | (40) | (60) |

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13. PENSIONS (continued)

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

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|--|--|--|
| Difference between actual and expected returns on assets | 250 | 20 |
| Experience gains and losses arising on the scheme liabilities | - | 280 |
| Changes in assumptions underlying the present value of the scheme liabilities | (300) | (10) |
| | <u>(50)</u> | <u>290</u> |
| Actuarial (loss)/gain recognised in STRGL | | |

Movement in deficit during the year:

| | For year to 31 March 2006 £'000 | For year to 31 March 2005 £'000 |
|--|--|--|
| Deficit in scheme at beginning of year | (1,300) | (1,520) |
| Movement in year: | | |
| Current service cost | (220) | (180) |
| Contributions paid by the employer | 220 | 170 |
| Net return | 130 | 140 |
| Interest on pension liabilities | (170) | (200) |
| Actuarial loss | (50) | 290 |
| | <u>(1,390)</u> | <u>(1,300)</u> |
| Deficit in scheme at the end of year | | |

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13. PENSIONS (continued)

History of experience gains and losses:

| | For year to 31 March 2006 | For year to 31 March 2005 |
|--|---------------------------------|---------------------------------|
| Difference between the expected and actual return on scheme assets | | |
| Amount (£'000) | 250 | 242 |
| Percentage of scheme assets | 10.3% | 3.1% |
| Experience gains and losses on scheme liabilities | | |
| Amount (£'000) | - | 306 |
| Percentage of present value of scheme liabilities | - | 2.2% |
| Changes in assumptions underlying the present value of the scheme liabilities | | |
| Amount (£'000) | (300) | (232) |
| Percentage of present value of scheme liabilities | 7.9% | 1.6% |
| Total amount recognised in STRGL | | |
| Amount (£'000) | (50) | 316 |
| Percentage of present value of scheme liabilities | 1.3% | 2.2% |

14. RELATED PARTY TRANSACTIONS

The company entered into the following transactions with organisations in which directors of the company have an interest:

- a) Payments of £47,446 were made to Powys County Council for the provision of office accommodation, Work Experience health and safety inspections, EBL activities and miscellaneous repairs. Powys County Council also provides funding for several small projects totalling £94,936. M Westhorpe is an employee of Powys County Council.
- b) Payments of £228,814 were made to Careers Wales Association for general support, CWOL, Dewis, marketing, evaluation and booklets for clients. Careers Wales Association also manages the CLIC contract. A Tillotson is a non-executive director of CWA.
- c) The company paid Rhondda Cynon Taff County Borough Council £25,331 (2005 - £15,350) for the provision of office accommodation in Rhondda and Taff Ely during the year. E L Hancock was a councillor of Rhondda Cynon Taff County Borough Council.
- d) The company's banker is NatWest Bank Plc. Mr G Morgan is employed by NatWest Bank Plc as a Head of Business Development.

Other related party transactions which are not considered sufficiently material to require disclosure in the financial statements are recorded in the company's register of interests of directors and employees. The register can be inspected by prior arrangement with the Chief Executive during normal office hours.

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**15(a) RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH
INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Operating surplus/(deficit) | 317 | (154) |
| Depreciation charge for the year | 13 | 20 |
| Decrease/(increase) in debtors | 125 | (44) |
| Decrease/(increase) in creditors | (1) | 113 |
| | <u>454</u> | <u>(65)</u> |
| Net cash inflow/(outflow) from operating activities | <u>454</u> | <u>(65)</u> |

15(b) ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 April 2005 £'000 | Cash flows £'000 | At 31 March 2006 £'000 |
|--------------------------|-----------------------------|---------------------|---------------------------------|
| Cash at bank and in hand | 1,601 | 220 | 1,821 |
| Bank overdraft | (549) | 284 | (265) |
| | <u>1,052</u> | <u>504</u> | <u>1,556</u> |

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16. MERGER ACCOUNTING

On 1 April 2005, the company (formerly Mid Glamorgan Careers Limited) merged with Careers Wales Powys Limited to become a single entity named Careers Wales Mid Glamorgan and Powys Limited. The combination meets the conditions for merger accounting set out in FRS 6 "Acquisitions and mergers" and the Companies Act 1985. Accordingly, the group financial statements of Careers Wales Mid Glamorgan and Powys Limited have included the results of Careers Wales Powys Limited as though the two entities had always been combined. The related comparative amounts for the year ended 31 March 2005 are therefore as follows:

**Income and expenditure account for
year ended 31 March 2005**

| | Mid Glamorgan Careers Limited £'000 | Careers Wales Powys Limited £'000 | Total for year ended 31 March 2005 £'000 |
|--|---|---|--|
| Turnover | 7,028 | 2,215 | 9,243 |
| Operating expenses | (7,018) | (2,282) | (9,300) |
| Operating surplus/(deficit) | 10 | (67) | (57) |
| Interest receivable and similar income | 69 | 2 | 71 |
| Surplus/(deficit) on ordinary activities before tax | 79 | (65) | 14 |
| Tax on surplus/(deficit) on ordinary activities | (13) | - | (13) |
| Surplus/(deficit) for the financial year | 66 | (65) | 1 |

All activities derive from continuing operations.

Balance sheet as at 31 March 2005

| | Mid Glamorgan Careers Limited £'000 | Careers Wales Powys Limited £'000 | Total at 31 March 2005 £'000 |
|--------------------------------|---|---|---------------------------------------|
| Fixed assets | 9 | 3 | 12 |
| Current assets | 2,667 | 431 | 3,098 |
| Current liabilities | (1,042) | (262) | (1,304) |
| Net assets | 1,634 | 172 | 1,806 |
| Income and expenditure reserve | 241 | 172 | 413 |
| Working capital reserve | 965 | - | 965 |
| Premises reserve | 200 | - | 200 |
| Superannuation fund reserve | 228 | - | 228 |
| | 1,634 | 172 | 1,806 |

All accounting policies are consistent across the two companies and therefore no adjustments are required in this respect.

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17. PRIOR YEAR ADJUSTMENT

During the year, the company fully adopted FRS 17 "Retirement benefits". Prior to this, the company had accounted for its defined benefit pension schemes in accordance with the provisions of SSAP 24 "Accounting for pension costs" with appropriate disclosures made in the notes to the financial statements under the transitional rules of FRS 17.

The effect of this change is that the company now recognises the pension scheme deficit in full on the balance sheet. The prior year adjustment of £8,203,000 represents the difference between the deficit on the pension scheme as at 1 April 2004, of £7,953,000, and the SSAP 24 pension prepayment as at the same date, of £250,000, that is no longer allowable. Prior to this, and following the merger accounting adjustment, the reserves of the company at 1 April 2004 were £1,805,000. Had the adjustment for FRS 17 and SSAP 24 not been made, the reserves of the company at 31 March 2005 would have been £1,806,000, following a surplus made in the year of £1,000 (see note 16).

The prior year adjustment as shown in the statement of total recognised gains and losses, of £7,998,000, represents the difference between the deficit on the pension scheme as at 1 April 2005, of £7,770,000, and the SSAP 24 pension prepayment as at the same date, of £228,000.

