

Higher Education Careers Services Unit



financial report 2005/06



Higher Education Careers Services Unit

(A company limited by guarantee)

Directors' report and financial statements

Registered number 03155620

Charity number 1055300

31 January 2006



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Legal and administration details

The Higher Education Careers Services Unit (HECSU) is a company limited by guarantee and a registered charity (governed by its Memorandum and Articles of Association) which was incorporated on 1 August 1996. The organisation had previously operated as an unincorporated association operated by Universities UK (UUK) and Standing Conference of Principals (SCOP). On 1 August 1996 the unincorporated association transferred all its assets and liabilities amounting to £2,497,713 by deed of gift to HECSU.

HECSU provides support and assistance to the careers advisory services of its member institutions. This support is provided through the publication of graduate employment directories, vacancy and statistical publications and the provision of specialist career guidance and administrative software. Membership is open to all higher education institutions and is by subscription.

Address and registered office:

Prospects House
Booth Street East
Manchester
M13 9EP

Company registration number:
03155620

Charity registration number:
1055300

Members of the board:

Professor J D Bone – Chairman
Mr A Nelson
Dr J Cater
Mr H T B Smith
Dr P Redmond
Dr G Copland *(resigned 1 December 2005)*
Mrs L Ali *(resigned 1 February 2006)*
Dr J Nicholls
Professor D Melville
Mr S Denton
Mr J Gough
Mr T Butler
Professor J Stringer *(resigned 31 May 2005)*
Mrs L G Buckham
Ms A Hodgson
Mr G Nicholson *(appointed 1 August 2005)*
Professor A Hamnett *(appointed 1 August 2005)*
Professor P O'Prey *(appointed 1 January 2006)*

The company's board of trustees is responsible for its affairs. The board is appointed as follows:

- 14 trustees appointed by UUK (Universities UK)
- 1 trustee appointed by SCOP (Standing Conference of Principals)
- 3 trustees co-opted by the board

The trustees constitute directors of the company for Companies Act purposes. At the year end, the process of appointing further members to the board was still underway.

Bankers:

National Westminster Bank plc
115 Deansgate
Manchester
M3 2BG

Principal officers:

Mr M Hill - Chief Executive
Mr S Bluck - Financial Director

Auditors:

KPMG LLP
St James' Square
Manchester
M2 6DS

Solicitors: DLA

101 Barbirolli Square
Manchester
M2 3DL

Investment advisors:

Castlefield Investments
3rd Floor
Exchange Square
Manchester
M4 3TR

Trustees' report *continued*

accordance with the powers available to the trustees. The charity's other funds are invested in short term and medium term deposits.

Reserves strategy

HECSU's board agreed a reserves strategy in 2003, the key elements of which are:

- the setting of a target of increasing annual charitable spending to £1.4m per annum, focusing on long term research projects
- the setting up of a research panel which would identify and progress potential research projects
- the setting of upper and lower free reserve limits of one year's and six months' charitable spend respectively
- the setting up of a research fund, using existing reserves, to fully cover the full anticipated spend of long term research projects
- the setting up of a strategic investment reserve to fund potential investment into Graduate Prospects Limited
- Graduate Prospects Limited to make future payments to HECSU via gift aid.

HECSU has a close and continuing relationship with AGCAS. HECSU and AGCAS have agreed a series of service level agreements to regulate relations between the two bodies.

Free reserves were £6,385,856 as at 31 January 2006 (2005: £6,065,284) and are calculated as total

unrestricted funds less amounts held as tangible fixed assets. Of this amount £1,600,000 has been allocated as a research reserve to fund the Longitudinal research project which began this year. A further £2,250,000 has been allocated to a strategic investment reserve for the purpose of further investment in Graduate Prospects as and when required. This leaves unallocated reserves of £2,535,856 at year end.

Approximately £700,000 represents working capital in Graduate Prospects with the remainder available to fund ongoing expenditure in the charitable company. The Board aims to reduce this amount to the level that it represents no more than one year's charitable spend. This will be done by actively seeking additional projects to support.

Risk management

Each year a budget is presented to, and agreed by, the board of trustees. The budget process includes a review of the risks facing the organisation, in line with its objectives.

A formal risk assessment, supported by an outside independent expert, was initiated in September 2003, and this will serve as the basis for a formal ongoing risk assessment process. An update presentation was made to the board in May 2005. An internal risk management team has been formed to co-ordinate activity and embed the process in the organisation, and the team reports regularly to the board.

Currently, risks to the business have been identified and the potential impact of these risks assessed.

Controls that will remove the risk or reduce the impact have been considered and this information will be presented to the Board at the forthcoming Board meeting prior to the identified controls being put in place.

Results

The group had a net movement in funds of £224,214 (2005: £339,283). The funds carried forward at 31 January 2006 amounted to £8,084,966 (2005: £7,860,752).

Trustees

All trustees are guarantors of the company with a maximum liability of £1 each.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Professor J D Bone
Trustee
Prospects House
Booth Street East
Manchester
M13 9EP

Notes forming part of the financial statements

1 Status of charitable company and liability of trustees

Higher Education Careers Services Unit is a registered charity and a company limited by guarantee. Each trustee undertakes to contribute to the assets of the company in the event of being wound up. This sum shall not exceed £1 each.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, the Companies Act 1985, in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in October 2000 (SORP 2000) and under historical cost accounting rules, except for the revaluation of listed investments.

Basis of consolidation

The consolidated financial statements include financial statements of the charitable company and its subsidiary undertakings made up to 31 January 2006. The acquisition method of accounting has been adopted. Under Section 230(4) of the Companies Act 1985 and paragraph 304 of SORP 2000 the charitable company is exempt from the requirement to present its own statement of financial activities or income and expenditure account.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Listed investments are included at market value. The movements in market value are shown in the consolidated statement of financial activities as an unrealised gain or loss on investment assets.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Buildings -
2% per annum

Plant and equipment-
20% per annum

Computer equipment-
33.33% per annum

Fixtures and fittings-
20-33.33% per annum

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Unrestricted funds

These are funds which can be used in accordance with charitable objects at the discretion of the trustees.

Incoming resources

Income from commercial activities and annual contributions are included in the period in which the group becomes entitled to receipt.

Interest receivable

Interest is included when receivable by the group.

Resources expended

Resources expended are included in the statement of financial activities on an accruals basis. Certain expenditure which is directly attributable to specific activities has been included in those cost categories. Certain other costs, which are attributable to more than one activity, are apportioned across cost categories on the basis of an estimate of the proportion of time spent by staff on those activities.

Deferred income

Deferred income represents the value of goods and services that has been invoiced but is not considered delivered or completed at the year end. Deferred income is carried forward within creditors and released to the Profit and Loss Account in the period in which delivery or completion occurs.

Taxation

The company is a registered charity and by virtue of its trading activities being in fulfilment of the objects of the charitable company, the charitable company is exempt from corporation tax on all charitable activities. The charge for taxation on the subsidiary company's non charitable activities is

Notes forming part of the financial statements

based on the result for the year. The trading subsidiary has elected to make a gift aid payment to the charitable company equivalent to its taxable profits for the year.

Post retirement benefits

The group participates in two pension schemes providing benefits based on final pensionable pay. The assets of these schemes are held separately from those of the group. As the

company is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis it therefore, as required by FRS 17 "Retirement Benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the profit and loss account represents contributions payable to the schemes in respect of the accounting period.

Jointly conducted activities

The group's share of surpluses arising on jointly conducted activities has been included on a receivable basis.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

3 Net income from trading activities of subsidiaries

The charitable company has one wholly owned trading subsidiary which is incorporated in the United Kingdom. Graduate Prospects Limited operates in the publishing and software support industry. The company pays all its taxable profits to Higher Education Careers Services Unit by gift aid. A summary of the trading results is shown below:

Profit and loss account

	2006 £	2005 £
Turnover	5,402,731	5,541,188
Cost of sales	(2,515,733)	(2,557,864)
Gross profit	2,886,998	2,983,324
Selling and distribution costs	(1,596,442)	(1,638,682)
Administration expenses	(1,265,837)	(1,258,084)
Net interest receivable	46,600	33,657
Dividends received from subsidiaries	435,035	-
Net profit	506,354	120,215
Gift aid payment to Higher Education Careers Service Unit	(459,062)	(134,157)
Profit/(loss) retained by subsidiary	47,292	(13,942)
The assets and liabilities of the subsidiary were:		
	2006 £	2005 £
Fixed assets	221,504	277,541
Current assets	2,484,767	2,303,236
Creditors: amounts falling due within one year	(1,787,506)	(1,709,304)
Total net assets	918,765	871,473

The administration expenses of Graduate Prospects Limited include a charge of £ 90,000 (2005: £90,000) for rent of a building from HECSU and income of £129,744 (2005: £129,744) for management charges to HECSU that have been excluded from the consolidated statement of financial activities.

The dividends received figure relates to a dividend paid by CSU (Publications) Ltd to clear an inter company debtor. This subsidiary has not traded for a number of years.

The commercial trading operations expenditure reported in the Consolidated Statement of Financial Activities is arrived at as follows:

	£	£
Cost of sales	(2,515,733)	(2,557,864)
Selling and distribution costs	(1,596,442)	(1,638,682)
Administration expenses	(1,265,837)	(1,258,084)
Less: Management charge income	(129,744)	(129,744)
Add: Rent of building	90,000	90,000
Add: Write-off of inter company balances	387,922	-
Expenditure per Statement of Financial Activities	(5,029,834)	(5,494,374)

4 Analysis of resources expended

Grants payable

	2006	2005
	£	£
Recipient		
CIHE - Int Competitiveness of UK Higher Ed	25,000	-
Leeds University - CAS degree training	28,000	-
Leeds University - Lifelong Learning	35,600	63,927
Sheffield Hallam - CAS & Diversity	(6,000)	36,000
Sheffield Hallam University - Learning through Placements	35,950	-
Longitudinal Project	130,663	11,069
NICEC	-	1,700
Hero	27,598	31,398
Moving On	-	1,785
Liverpool John Moores - Merseyside Diversity Project	25,000	25,000
NCWE	25,000	15,000
NASES	30,000	30,000
Strathclyde University - Guide to job search via the Internet	5,000	-
	361,811	215,879

The negative grants payable figure against the CAS & Diversity project relates to an overpayment in 2005 when the project was completed.

Institutions which have received grants in respect of the Longitudinal Project in the year are Southampton University, the University of the West of England, Warwick University, UCAS and Student Promotions. The most significant grants in the year were £81,938 to Warwick University and £27,375 to the University of the West of England.

Grants were made for the following:

	2006	2005
	£	£
Research in the furtherance of charity's objects	334,213	184,481
Provision of support to member institutions	27,598	31,398
	361,811	215,879

Costs of activities in furtherance of the charity's object

	2006	2005
	£	£
Distributions to AGCAS	82,164	242,514
AGCAS information booklets and support activities	303,671	273,013
Other project costs	84,361	98,334
	470,196	613,861

AGCAS is a registered charity based at the University of Sheffield, which engages in similar activities to those of HECSU.

4 Analysis of resources expended *continued*

Management and administration expenditure	2006	2005
	£	£
Salaries and related costs	113,896	71,932
Premises costs	12,644	13,699
Depreciation	40,673	43,300
Other	54,301	45,284
	221,514	174,215

5 Remuneration of trustees

None of the trustees, nor any persons connected with them, received any remuneration or were reimbursed any expenses in respect of their services to the group in the current or preceding year.

6 Staff numbers and costs

The average number of full-time equivalent persons employed by the group (excluding trustees) during the year, analysed by category was as follows:

	Number of employees	
	2006	2005
Office and management	89	90

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£	£
Gross wages and salaries	2,534,426	2,470,895
Employer's national insurance	197,180	193,356
Pension contributions (see note 15)	263,378	212,361
	2,994,984	2,876,612

Remuneration of higher paid staff earning in excess of £50,000, excluding employer's pension contributions were in the following ranges:

	2006	2005
	£	£
£50,000-£60,000	2	1
£60,001-£70,000	0	1
£70,001-£80,000	1	1
	3	3

All employees earning more than £50,000 accrued benefits under a defined benefit scheme during the year.

7 Net movement in funds

	2006 £	2005 £
<i>Net movement in funds is stated after charging:</i>		
Auditors' remuneration		
Audit services – group	12,000	11,500
Audit services – parent	6,000	6,000
Depreciation	203,307	246,478
Other operating lease rentals	33,141	14,945
Loss on sale of tangible fixed assets	596	421
	<hr/>	<hr/>

8 Investment income

	2006 Group £	2006 Charitable company £	2005 Group £	2005 Charitable company £
Bank interest				
Charitable company	107,382	107,382	119,046	119,046
Trading subsidiaries	46,600	-	33,657	-
	<hr/>	<hr/>	<hr/>	<hr/>
	153,982	107,382	152,703	119,046

9 Jointly conducted activities

Together with AGCAS and the Association of Graduate Recruiters, the group is involved in the organisation of a series of specialist fairs and career conferences. The group's share of the income and expenditure on any event is generally one third.

10 Gift aid payments received from subsidiary undertakings

The company's trading subsidiary undertaking made a gift aid payment of £459,062 (2005: £134,157) equal to the taxable profits of the company for the year to the Higher Education Careers Services Careers Unit.

11 Tangible fixed assets

Group

	Freehold buildings	Plant and equipment	Computer equipment	Fixtures and fittings	Total
	£	£	£	£	£
<i>Cost</i>					
At beginning of year	1,750,704	201,896	1,379,963	243,424	3,575,987
Additions	-	5,131	95,379	7,035	107,545
Disposals	-	-	(604)	-	(604)
At end of year	<u>1,750,704</u>	<u>207,027</u>	<u>1,474,738</u>	<u>250,459</u>	<u>3,682,928</u>
<i>Depreciation</i>					
At beginning of year	242,183	115,433	1,209,056	213,847	1,780,519
Charge for year	35,014	28,324	127,199	12,770	203,307
On disposals	-	-	-	-	-
At end of year	<u>277,197</u>	<u>143,757</u>	<u>1,336,255</u>	<u>226,617</u>	<u>1,983,826</u>
<i>Net book value</i>					
At 31 January 2006	<u>1,473,507</u>	<u>63,270</u>	<u>138,483</u>	<u>23,842</u>	<u>1,699,102</u>
At 31 January 2005	<u>1,508,521</u>	<u>86,463</u>	<u>170,907</u>	<u>29,577</u>	<u>1,795,468</u>

The group net book value at 31 January 2006 represents fixed assets used for:

	Freehold buildings	Plant and equipment	Computer equipment	Fixtures and fittings	Total
	£	£	£	£	£
Direct charitable purposes	1,473,507	2,867	681	524	1,477,579
Management and administration purposes	-	60,403	137,802	23,318	221,523
	<u>1,473,507</u>	<u>63,270</u>	<u>138,483</u>	<u>23,842</u>	<u>1,699,102</u>

11 Tangible fixed assets *continued*

Charitable company

	Freehold buildings	Plant and equipment	Computer equipment	Fixtures and fittings	Total
	£	£	£	£	£
<i>Cost</i>					
At beginning of year	1,750,704	1,366	14,958	32,431	1,799,459
Additions	-	-	-	319	319
At end of year	1,750,704	1,366	14,958	32,750	1,799,778
<i>Depreciation</i>					
At beginning of year	242,183	411	9,394	29,538	281,526
Charge for year	35,014	274	2,697	2,688	40,673
Disposals					
At end of year	277,197	685	12,091	32,226	322,199
<i>Net book value</i>					
At 31 January 2006	1,473,507	681	2,867	524	1,477,579
At 31 January 2005	1,508,521	955	5,564	2,893	1,517,933

12 Investments

Group

Direct investment in quoted UK investments

Market value at 31 January 2005	3,065,408
Movement in the year	585,769
Market value at 31 January 2006	3,651,177

Company

	Shares in subsidiary undertakings	Direct investment in quoted UK investments	Total
	£	£	£
At 31 January 2005	1,350,000	3,065,408	4,415,408
Net gains on revaluation	-	585,769	585,769
At 31 January 2006	1,350,000	3,651,177	5,001,177

12 Investments *continued*

The following companies, all of which are registered in England are wholly owned by the company, either directly or indirectly.

	Principal activity	Percentage of ordinary share capital held	Shareholder's funds/(deficit) at 31 January 2006
		%	£
CSU (Publications) Limited*	Dormant	100	-
CSU (Software Support) Limited*	Dormant	100	-
Campus Print Limited*	Dormant	100	-
National Council for Work Experience*	Dormant	Sole member	-
Graduate Prospects Limited	Publishing and software support	100	918,753

*share capital held by Graduate Prospects Limited

In the opinion of the directors the value of the investments is not less than that stated in the financial statements.

13 Debtors

	2006 Group	2006 Charitable company	2005 Group	2005 Charitable company
	£	£	£	£
Trade debtors	659,992	2,786	626,094	15,924
Other debtors	25,201	7,504	30,076	1,753
Amounts due from subsidiary undertakings	-	459,062	-	416,879
Prepayments and accrued income	171,776	195	88,762	-
	856,969	469,547	744,932	434,556

All debtors fall due within one year.

14 Creditors: amounts falling due within one year

	2006 Group	2006 Charitable Company	2005 Group	2005 Charitable company
	£	£	£	£
Trade creditors	436,247	-	184,583	-
Other creditors	603,741	9,753	804,537	19,302
Accruals and deferred income	647,617	349,396	710,556	435,069
Amounts due to group undertakings	-	382,810	-	-
	1,687,605	741,959	1,699,676	454,371

14 Creditors: amounts falling due within one year *continued*

	Group £	Company £
<i>Deferred income</i>		
Balance at beginning of year	151,214	95,655
Amount released to incoming resources	(151,214)	(95,655)
Amount deferred in year	167,443	81,265
	<hr/>	<hr/>
Balance at end of year	167,443	81,265
	<hr/>	<hr/>

Deferred income in the charitable company comprises contribution for membership services to be provided in future accounting period.

15 Pension arrangements

The employees of the Company are members of either the University of Manchester Superannuation Scheme (UMSS) or the Universities Superannuation Scheme (USS) both of which provide benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements, as if the scheme was a defined contribution scheme.

The total contribution for the year was £263,378 (2005:£212,361).

	UMSS	USS
Date of latest actuarial valuation	31 July 2004	31 March 2005
Market value of assets at date of last valuation	£192 million	£21,740 million
Proportion of members' accrued benefit covered by the actuarial value of the assets	82%	77%
(Deficit)/surplus at date of latest actuarial valuation	£43 million	£6,568 million

UMSS

As a result of the deficit identified in the latest actuarial valuation, the employer contribution rate increased from 10% to 15% of pensionable pay in July 2005. It has been agreed that this rate will apply until 31 July 2006. From 1 August 2006 and in future years an employer contribution rate of 17.5% of pensionable pay will apply. The previous actuarial valuation was updated in 2004 and at this time indicated a deficit of £3.7million.

USS

Employer contribution rates continue to be maintained at 14% of pensionable pay. This contribution rate will be reviewed at the next actuarial valuation due to take place at 31 March 2008.

