

Ulster Supported Employment Limited

Annual report

for the year ended 31 March 2002

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for the year ended 31 March 2002

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Directors and advisers

Directors

D Russell (Chairman)

Mrs CD Donaldson

Mrs H Bowman

Mrs K Murphy

AD Hanna

Mrs E Fiddis Carville

Chief Executive

JM Wylie

Secretary

D Macedo

Registered office

182/188 Cambrai Street

Belfast

BT13 3JH

Bankers

Northern Bank Limited

235 Shankill Road

Belfast

BT13 1FE

Registered auditors

PricewaterhouseCoopers

Waterfront Plaza

8 Laganbank Road

Belfast

BT1 3LR

Directors' report

for the year ended 31 March 2002

Background information

Ulster Supported Employment Limited is an executive NDPB sponsored by the Department for Employment and Learning.

The Company was incorporated in 1963 with the principal objective of providing training and productive employment for people with a severe disability. The Company is a private Company limited by guarantee and does not have a share capital.

In 1980 the Company merged with the Belfast Association for the Employment of the Industrious Blind which traded under the title Workshops for the Blind. There have been no changes in the Company's activities during the year and none are anticipated in the foreseeable future.

By special resolution the Company changed its original incorporation name of Ulster Sheltered Employment Limited to Ulster Supported Employment Limited on 25 September 1998.

The Company is a registered charity under Section 505 of the Income and Corporation Taxes Act 1988 with effect from 20 March 1996.

These accounts have been prepared in accordance with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986 and in a form directed by the Department for Employment and Learning with the approval of the Department of Finance and Personnel. A copy of the Accounts Direction can be found at Appendix 1.

Business review

A full review of Ulster Supported Employment Limited's activities is given on pages 7 to 13 of the Foreword.

Results for the year

The results for the financial year are fully set out in the income and expenditure account on page 16. The deficit for the year was £189,858 (2001: £89,970). The directors consider the Company's financial position at the date of the balance sheet to be satisfactory.

Employee involvement

During the past year the Company consulted with its employees in advance of decisions or actions in which there was a mutual interest. The main forum for consultation is the Joint Consultative Committee, which consists of employee representatives, staff representatives and Management. This committee is chaired by the Chief Executive and meets quarterly to discuss policy issues, company performance and future plans and objectives.

USEL also have in operation a Health & Safety Committee and also a Works Committee that consists of Production Employees and Production Management. Both these committees are chaired by the Production Manager and discuss matters of well being and safety of the factory employees at departmental level.

Accounting policies

The financial statements have been prepared in accordance with Statement of Standard Accounting Practice issued by the UK accountancy bodies in a form directed by the Department for Employment and Learning with the consent of the Department of Finance and Personnel (see Appendix 1).

Payments to suppliers

Ulster Supported Employment Limited is committed to the prompt payment of bills for goods and services received in accordance with the Better Practice Prompt Payers Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later.

The percentage of bills paid within this standard is not known.

The trade creditor days at 31 March 2002 is 33 days (2001: 34 days) calculated as the proportion of year-end creditors to the aggregate invoiced amounts during the year.

The explanation for variation depended solely upon disputed invoices received. All agreed invoices are paid within 30 days.

Pension fund

The Company operates a pension scheme that is based on an individual's final salary. The assets of the Pension Fund, established for the benefit of the Company's employees, are held in a Trust separately from the assets of the company.

Mr David Russell independently chairs the Board of Trustees. The Trust Board also has two members nominated by the Directors and two members nominated by the members of the Pension Scheme.

Legal and General Investment Management manage the funds on behalf of the Trustees. William M. Mercer Ltd has been appointed by the Trustees to act as their Administrators and Advisors on the operation of the Scheme.

Policy towards disabled employees

Information regarding employees is provided in the Foreword on pages 7 to 13.

Post balance sheet events

No significant events have occurred since the date of the balance sheet which affects the Company or which materially affects the financial statements of the Company.

Fixed assets

Changes in the fixed assets of the Company during the year are disclosed in note 9.

Charitable donations

The Company made no charitable donations during the year.

Directors

The directors of the Company during the year were as follows:-

D Russell (Chairman)

Mrs CD Donaldson

Mrs H Bowman

Mrs K Murphy

AD Hanna

Mrs E Fiddis Carville

The directors are appointed by the Department for Employment and Learning and in accordance with the Articles of Association the directorships will expire on the following dates:

| | |
|-----------------------|------------------------------------------|
| Mrs CD Donaldson | 15 March 2002 (extended to 30 June 2002) |
| Mrs H Bowman | 31 December 2002 |
| Mrs K Murphy | 31 December 2002 |
| D Russell | 15 September 2003 |
| AD Hanna | 15 March 2003 |
| Mrs E Fiddis Carville | 15 March 2003 |

Statement of directors' responsibilities

Company law and Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993 require the Chief Executive and directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs and of the surplus or deficit of the Company for that period. In preparing those financial statements, the Chief Executive and directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Chief Executive and 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 (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, in appointing the Chief Executive of the Ulster Supported Employment Limited as Accounting Officer for the company, the Department for Employment and Learning has placed on the Chief Executive responsibilities including the regularity and propriety of the public finances and for the keeping of proper records, and which are set out in the "Accounting Officers" memorandum issued by the Department of Finance and Personnel.

Auditors

A resolution to reappoint PricewaterhouseCoopers will be put to the Annual General Meeting.

By order of the Board

D Macedo

Secretary

21 August 2002

Statement on the system of internal control for Ulster Supported Employment Limited

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Company policies, aims and objectives, set by the department's Ministers, whilst safeguarding the public funds and Company assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

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 only provide reasonable and 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 Company policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have the procedures in place in March 2003 necessary to implement DFP guidance. This takes account of the time needed to fully embed the processes which the Company has agreed should be established and improve their robustness.

Ulster Supported Employment Limited has carried out appropriate procedures to ensure that the Company's objectives and risks have been identified and a control strategy for each of the significant risks determined. As a result, risk ownership has been allocated to the appropriate staff and the company has set out its attitude to risk to the achievement of the Company's objectives.

The management board has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on. There will be a full risk and control assessment before reporting on the year ending 31 March 2003. Risk management has been incorporated more fully into the corporate planning and decision making processes of the Company.

The board receives periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

Following the identification of the Company's key objectives and risks, further work has been done to bring about more consistency in the way in which the Company treats risks.

In addition to the actions mentioned above, in the coming year the Company plans to:

- regularly review and update the record of risks facing the organisation;
- set up a system of key performance and risk indicators;
- develop and maintain an organisation-wide risk register; and
- arrange for reports from Heads of Departments on internal control activities.

Ulster Supported Employment Limited has an internal audit unit, operated by PricewaterhouseCoopers, which operates to standards defined in the Government Internal Audit Manual. They submit regular reports which include PricewaterhouseCoopers independent opinion on the adequacy and effectiveness of the Company's system of internal

control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Company 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.

JM Wylie

Chief Executive

21 August 2002

Foreword for the year ended 31 March 2002

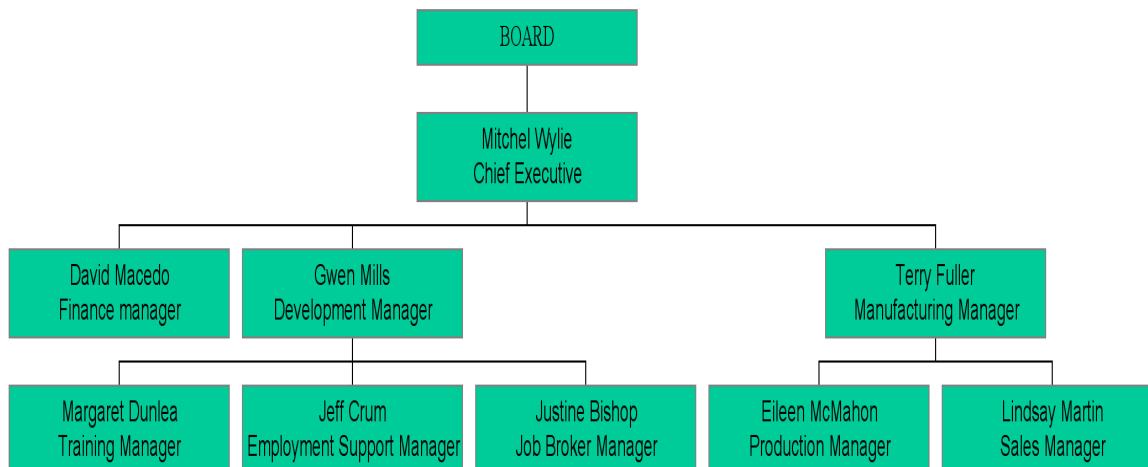
USEL (Ulster Supported Employment Limited) is an executive Non-Departmental Public Body and operates under the direction of the Department for Employment and Learning and in particular on a day-to-day basis the Disablement Advisory Service.

The organisation was established in 1962 to provide supported paid employment for disabled people and in 1980 USEL expanded its operation through the acquisition of the Workshops for the Blind to become the largest employer of disabled people within Northern Ireland. At the time of the merger the Workshops for the Blind had been providing employment for people with vision impairment since it was established in 1871.

USEL offers varied employment opportunities and support to people with a wide range of disabilities. The Company holds a unique position in providing a range of services and programmes that assist disabled people to move into and sustain paid employment. Currently USEL supports about 1000 disabled people through its various programmes. The organisation also provides work experience or job sampling opportunities to disabled young people and adults to build and assess job ready confidence and vocational skills and abilities.

The management structure of the organisation, which controls and operates the programmes and activities offered by USEL, is set out below:

USEL management structures April 2001 — March 2002



Board members profile

David Russell — Chairman

David Russell is aged 58 and was appointed Chairman of USEL in September 2000. He has recently retired as Chief Executive of the Hampden Group plc. and is an accountant with wide experience of both industry and management consultancy. He is Chair of the Eastern Health & Social Services Board, a Board member of the Belfast Harbour Commissioners and of Portaferry Regeneration Ltd. In addition he is non Executive Chairman and spokesperson for Fish Processing and Aquaculture Industries an employers organisation that represents the seafood industry of Northern Ireland. He is also a member of Council for the University of Ulster.

Alan Hanna — Financial Director

Alan Hanna is aged 37 and was appointed a Director of USEL in March 2000. He is the Regional Manager of the Down's Syndrome Association and previous to this he was with the Orchardville Society a voluntary sector body for people with a learning disability. He is also a Director of the Green Park Trust and Chairperson of the Northern Ireland Union of Supported Employment.

Caroline Donaldson — Director

Caroline Donaldson is aged 42 and was appointed a Director of USEL in March 1995. She is a Senior Training and Development Officer with the Homefirst Community Trust and has considerable experience in developing and delivering training to people at all levels within an organisation.

Helen Bowman —Director

Helen Bowman is aged 54 and was appointed a Director of USEL in March 2000. Together with her husband they founded the double-glazing company Bowman Windows in 1975. Bowman Windows has expanded to become one of the largest companies in its sector operating within Northern Ireland and currently the company employs 105 people. Helen has a very personal interest in disability issues and is an active member of the Employers' Form on Disability.

Liz Fiddis-Carville —Director

Liz Fiddis-Carville is aged 57 and was appointed a Director of USEL in March 2000. Since 1976 she has been a Lecturer in Health Studies in Belfast Institute of Further and Higher Education and prior to this position she trained and qualified as a nurse. She is Vice Chair of the ICTU's Disability Committee and is Regional Opportunities Officer with the National Association of Teachers in Further and Higher Education.

Kay Murphy – Director

Kay Murphy is aged 64 and was appointed a Director of USEL in March 2000. Before retirement Kay was Principal of Glenveagh School a position she had held since 1993. Throughout her career Kay has been involved in teaching and has also assisted with the setting up and running of two schools for children with a disability. She is a Director of ACET (Agencies in Consortium for Education and Training) a voluntary sector organisation for disabled people and also a Council member of the University of Ulster.

Foreward by Board Chairman

This Annual Report and Accounts for USEL (Ulster Supported Employment Ltd) cover the period 1 April 2001 to 31 March 2002. The report outlines USEL's performance against meeting the training and development needs of its disabled employees and on providing increased career and work opportunities for disabled people or people who have health difficulties who utilise USEL programmes.

This year has been significant in many ways for USEL. The organisation moved into excellent new premises in Cambrai Street, Belfast in June 2001. This relocation has enhanced the organisation's ability to offer a wider range of services within better working and operating conditions.

Also, in light of recommendations emanating from the Quinquennial Review carried out in 2000 the organisation has worked to continue to shift its emphasis in this annual reporting period from providing 'paid employment for disabled people' to that of '*expanding the choice of paid job opportunities for disabled people and by means of training and development assist with progression*'. This change in operating objective enabled USEL to more realistically show the work the Company was doing to progress people through their choices of paid employment options.

USEL's commitment to providing a holistic approach to the employment and training needs of disabled people has been demonstrated by establishing a Training and Development Department, which will specifically concentrate on informing, preparing and expanding the choices for disabled employees and service users within mainstream employment environments. This Department will set the foundations to further advance USEL's vision and will continue to develop new opportunities for progressing or enlarging career or employment options through partnerships with employers, mainstream training organisations and referral agencies.

In line with the above view and USEL's desire to offer a broader range of choices for employees, the organisation placed a bid and was successful in becoming a service provider of the T&EA's New Deal for Disabled People Job Broker Service. As a result of this successful outcome USEL now has the ability to provide an additional service to disabled people throughout much of Northern Ireland. USEL also opened an outreach shop front office in Market Street Portadown in August of this year to support this work and the additional location has proved extremely popular with both clients and employers.

The Manufacturing Department has continued to expand opportunities for disabled people to integrate within mainstream working environments by increasing its contract services division. Successful contracts this year have been obtained from NTL, Derry City Centre Initiative, Smtec, Aunt Mollies Foods and Safeway. This development has enabled USEL to place our own employees, with appropriate support, into third party organisations assisting them to acquire new additional skills that are necessary to sustain open employment.

The Employment Support programme that USEL pioneered in 1982 continued to operate successfully assisting about 600 disabled people to acquire and sustain employment. It is also pleasing to note that the ES Team were able to progress 30 people from the Scheme into open employment.

As a Non-departmental Public Body USEL has a requirement to comply with the Northern Ireland Act Section 75 Statutory Duties and produce an Equality Scheme outlining the processes the organisation will follow to ensure its obligations are met. This Equality Scheme received approval from the Equality Commission on 5 July 2001 with Training of all employees including Board members taking place throughout the past year. The approved Scheme was then published and distributed widely among the USEL's consultees during August 2001.

Consultation with over 120 interested groups surrounding the screening of all USEL policies and functions occurred from October 2001 to January 2002. The views gathered from the consultation process will form the basis for timetabling USEL's future Equality Impact Assessments over the next three years.

In conclusion I wish to thank the Chief Executive and all his staff for their hard work and commitment in all areas of work and to their continued response to the many demands placed upon them in this particularly momentous and demanding year.

David Russell

Chairman

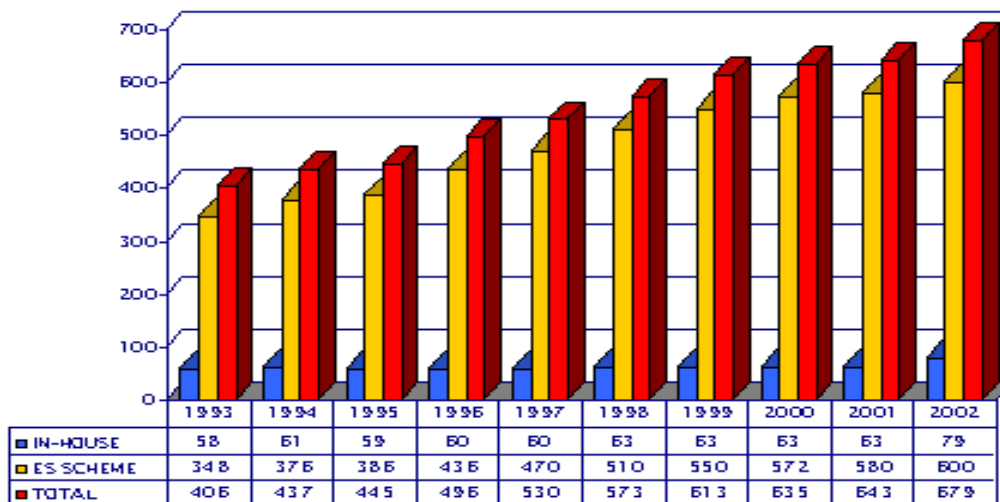
21 August 2002

Chief Executive's report

USEL's operating objective has for many years been to 'provide paid employment for disabled people'. In consideration of the outcome of the Quinquennial Review completed in 2000 the Company has worked to highlight and broaden its proactive efforts to progress disabled employees through training, personal development, and the delivery of information about a range of career and employment choices available to them. To more adequately reflect the emphasis of the delivery of on-going services, USEL's objective was revised with Board and Departmental approval to that of 'to expand the choice of paid employment opportunities for disabled people and by means of training assist with progression'. This change of emphasis will form the basis of USEL's next three-year corporate strategy and organisational objectives.

Within Northern Ireland USEL continues to be the leading provider of paid employment for people with a disability. The following table illustrates the average number of disabled people employed by USEL from 1993 to 2001. Compared with last year the employment numbers in the Manufacturing Operation and the Employment Support Scheme have increased by an average of 36 disabled people or 5.6%. The actual number of disabled people employed by USEL at the end of March 2002 was 679 compared with a year-end figure last year of 643.

Average number of disabled employees

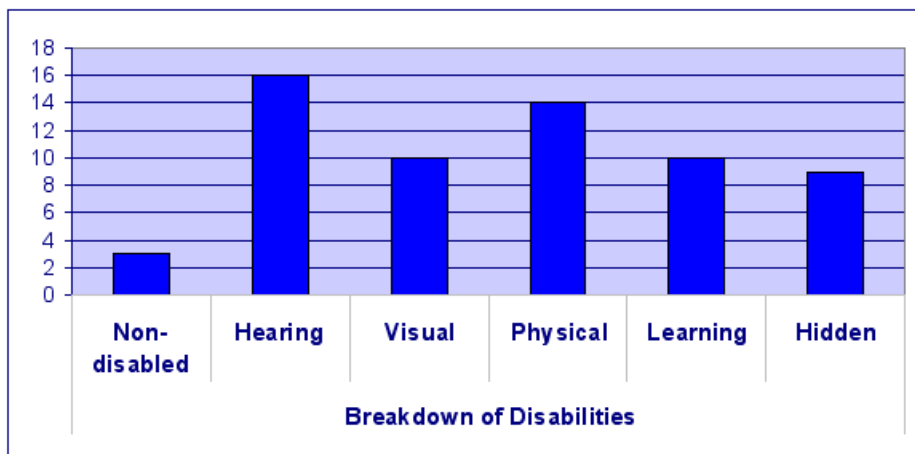


Training and development

USEL's Quinquennial Review commissioned by the T&EA was completed in February 2000 by KMPG and recommended improvements in training and developing of USEL disabled employees in areas beyond the normal on the job task training. To this end USEL established a Training and Development Department. Training staff carried out training needs analysis of manufacturing employees from May to September 2001. Due to the factory relocation the time frame for the exercise was longer than planned. Individual interview times varied, but on average they lasted about an hour to ensure that entire person-centre training needs identification occurred.

A total of 43 male and 19 female factory employees, and 3 male and 10 female Office/Project staff responded to the study.

This represented a participation level of 87% of factory employees and 42% of office/project employees. An analysis of participating factory employees is detailed in the following chart.



The findings from the Training Needs Analysis have shaped the work that will be carried out over the next 3 years. This analysis has also formed the basis for several funding applications that were made during the year. If successful the funding will permit the type of training that will be of benefit to employees' helping with progression and development. The funding will allow formal accreditation routes to be followed with implementation starting in the year 2002/03.

Throughout this year USEL has used it's new Training and Development personnel to deliver a total of 1700 training hours to employees. Examples of training have included:

| Training Course | Participants |
|------------------------------------------|--------------|
| Statutory Duty (Including Board Members) | 112 |
| Basic Computer Skills | 19 |
| Disability Awareness | 5 |
| Disability Rights | 13 |
| Learn Direct — various levels of support | 8 |
| E.C.D.L. | 5 |
| Fork Lift Driving Test | 5 |
| BSL Sign Language | 7 |
| Social Security Benefits Training | 15 |
| Education & Careers Guidance | 2 |
| CCTV - Operation Off & Legal Awareness | 14 |

In addition to these training courses there were also a number of other specifically tailored courses designed to facilitate particular needs of an individual within the Company such as marketing and accountancy.

USEL has also been accepted by OCR as an assessment centre for Entry Level NVQ training in Manufacturing Processes and Business Administration.

Employment support scheme

USEL is the lead Sponsor of the T&EA's Employment Support Scheme with some 73% of the total number of placements. The aim of the Scheme is to financially support employment opportunities for severely disabled people thus enabling them to obtain and sustain work in the open labour market.

The ES Scheme has been in operation for some 20 years and has proven to be very successful. However, the overall cost including the Department's cost of sustaining each job is around £6,000. As a consequence of these escalating costs and also combined with a major review of a similar programme in GB the present ES Scheme is likely to be put on hold. It is expected that following consultation a new scheme will be introduced from April 2003 with the existing people on the present ES Scheme having their benefits protected for as long as they remain on the Scheme.

The average number of people USEL employed under the terms of the Scheme was 600 and an analysis of job category and disability classification of these people is as follows: -

JOB CATEGORY - ES SCHEME

| | 1996/97 | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 |
|----------------|------------|------------|------------|------------|------------|------------|
| MANAGEMENT | 5 | 6 | 3 | 5 | 10 | 10 |
| CLERICAL/ADMIN | 124 | 139 | 142 | 143 | 147 | 149 |
| SKILLED | 42 | 44 | 21 | 19 | 18 | 18 |
| MANUAL | 141 | 162 | 273 | 285 | 291 | 302 |
| SHOP RELATED | 97 | 110 | 115 | 114 | 109 | 113 |
| OTHER | 61 | 73 | 8 | 10 | 9 | 8 |
| TOTAL | 470 | 534 | 562 | 576 | 584 | 600 |

DISABILITY CLASSIFICATION - ES SCHEME

| | 1996/97 | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 |
|--------------|------------|------------|------------|------------|------------|------------|
| SENSORY | 116 | 124 | 84 | 84 | 78 | 76 |
| LEARNING | 182 | 215 | 256 | 262 | 270 | 294 |
| PHYSICAL | 146 | 169 | 189 | 200 | 210 | 202 |
| HIDDEN | 26 | 26 | 33 | 30 | 29 | 28 |
| TOTAL | 470 | 534 | 562 | 576 | 584 | 600 |

Job broking service

USEL commenced operation of the Job Broker Service under the New Deal for Disabled People on behalf of the T&EA in September 2001. The programme is designed to assist individuals who are claiming sickness or incapacity benefits improve their employability and to gain paid employment.

USEL's Job Broking service was originally scheduled for delivery in 9 District Council areas but during the year this was extended to 20 of Northern Ireland's 26 District Council areas. The service operates on an outreach basis throughout Northern Ireland and from both the Cambrai Street headquarters and our offices in Market Street, Portadown. In the first six months of operation the project has provided pre-registration advice to 300 individuals, registered 150, progressed 20 into mainstream paid employment and provided support to an additional 25 people on work experience.

Some 10 individuals have also chosen to participate in a 12-week job preparation and capacity building training course with a further 7 people starting this process in the Newry area. All individuals who registers on the programme are provided with a person centred Action Plan including a vocational profile. The Job Broker Officers then work to match and support employer and client needs in finding suitable paid job match outcomes.

Work experience

The FETE (From Education to Work) programme offered by USEL ceased to operate in August 2001). This programme provided work experience, placement and training for young disabled people in transition from school to paid employment but received no source of direct funding. Much of the work carried out by the FETE programme has now been transferred to the Job Broker Service. However, a gap still exists for young disabled people who do not fit the Job Broker eligibility criteria and USEL will continue to endeavour to access funding to facilitate this need.

USEL also offers and supports requests for work experience or job-sampling placements to disabled adults and young people from schools, recognised training organisations and Health & Social Services Trust organisations. This service aims to offer an opportunity to allow individuals build skills and job ready confidence within a real work situation. It can be used to assess skills and abilities, test job aspirations and job readiness within a non-threatening environment. Over 40 disabled people accessed this service within the organisations manufacturing operation this year.

A further 5 disable people received long-term support from USEL in partnership with Nortel. This partnership provides opportunities for disabled people to acquire skills within a highly sophisticated mainstream work environment and this project has been in operation for some 4 years. Nortel have continued to back this project financially despite the need for the company to undergo a major rationalization due to the world decline in demand for telecommunication equipment.

Numbers employed and on work placement

The average number of disabled people employed or supported by USEL's through other programs including work experience during the past year is summarized below:

| LOCATION | NUMBER OF PEOPLE |
|------------------------------------------------------|-------------------------|
| USEL Factory | 59 |
| Warehousing for Aunt Mollies Foods | 2 |
| CCTV — Monitoring for NTL | 9 |
| CCTV — Monitoring for Derry CCI | 4 |
| Safeway | 5 |
| MANUFACTURING TOTAL | 79 |
| Employment Support Scheme | 600 |
| Factory Work Experience | 40 |
| Nortel — <i>In Training & Development</i> | 5 |

| | |
|----------------------------------------------------------|-------------|
| FETE Programme — (Programme ended in August 2002) | 4 |
| Job Broker Service Pre-Registration | 300 |
| <i>Registered</i> | <i>150</i> |
| <i>Progressed into paid employment</i> | <i>20</i> |
| <i>Progressed into work experience</i> | <i>25</i> |
| TRAINING & DEVELOPMENT TOTAL | 949 |
| OVERALL TOTAL | 1028 |

The factory based manufacturing operation in the past year has sustained 79 jobs of which 13 are based 'off site' performing a CCTV monitoring function.

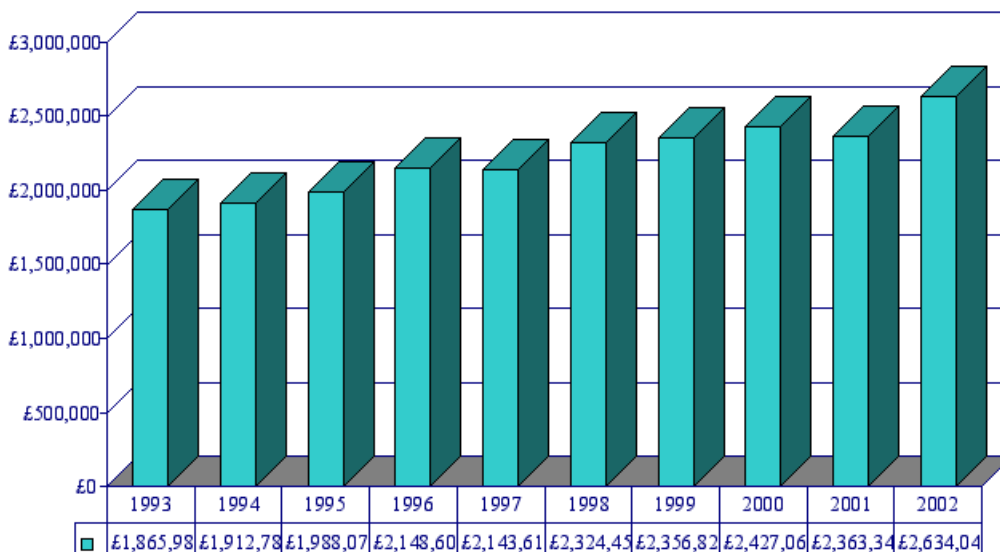
The training and development department worked with a client base of 947 of which some 600 were employed by means of the ES Scheme. Through the Job Broking Service USEL has worked with a client base of 300 of which some 144 have went on to registered with us.

It is significant and impressive that during the past year USEL has provided support and assistance to 1028 disabled people of which some 699 are in paid employment.

Financial analysis

The Sales income that the Company generated in the past year amounted to £2,634.045, which represents a growth of 11.5% over last year level. An illustration of income achieved over the past 10 years is shown in the chart below.

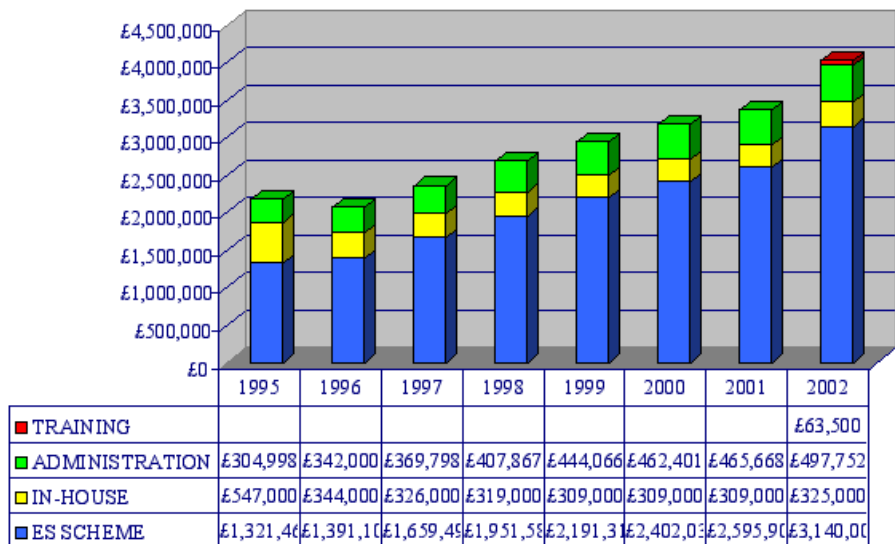
SALES INCOME



The funding and administration fee income that the Company has received from the T&EA this year amounts to £4,026,252. This funding is made up of a training allowance, administration fee for employment support and the greatest

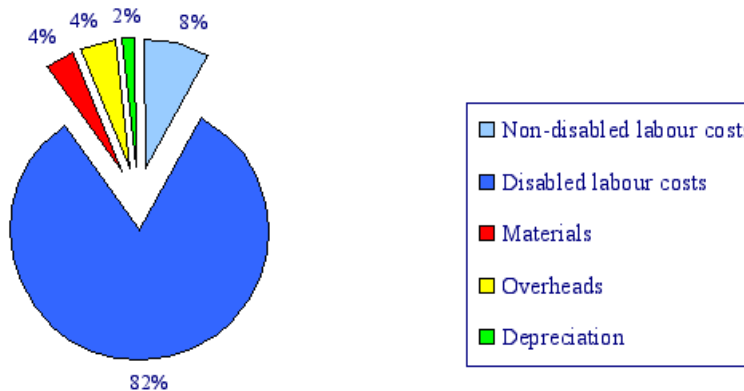
portion of £3,140,00 being the wage subsidy for the Employment Support Scheme. Details of the income in the year 2001/02 are given on the following chart.

FUNDING AND ADMINISTRATION FEE INCOME

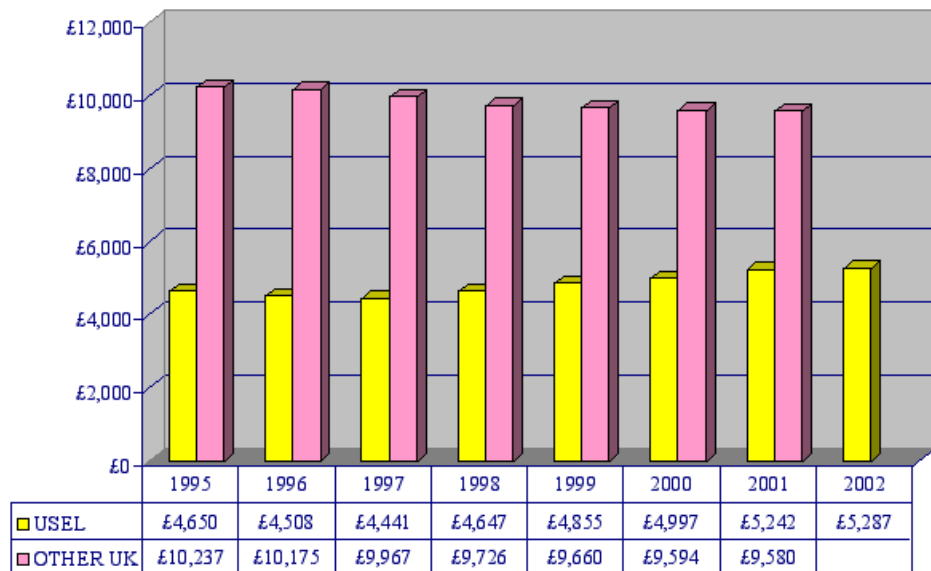


In the financial year 2001/02 USEL’s total expenditure was £6,385,080. An analysis of this expenditure shows that some £5,238,000 or 82% was made up of wages and salaries paid to disabled people. An analysis of this expenditure is illustrated in the chart below.

COMPANY EXPENDITURE 2001-02



USEL is committed to providing a quality and efficient service in the delivery of all of its programmes and providing value for money to the Tax Payer. The overall efficiency is measured by comparing the cost of providing each paid disabled job with the cost in previous years and with the cost of a similar GB based operation. The cost comparison for the past 8 years is illustrated in the chart below.



COMPARATIVE COSTS PER DISABLED EMPLOY

COMPARATIVE COST PER JOB

The future

It is absolutely true to say that in the 40-year history of USEL the past year was unique. The many developments and changes stretched the Management Team's ability but it is pleasing to record that all the Team performed well and to the maximum of their capabilities.

Unfortunately prior to moving into the new premises in Cambria Street USEL incurred a setback due to a major malicious fire. Despite this adverse incident the Company moved to the Cambrai Street premises in late June and significantly on time and on budget. The 65,000 sq ft modern premises are located on a 4.5-acre site and offer an opportunity for future expansion of the USEL operation.

It is encouraging that even with these momentous events USEL was still able to successfully launch the Job Broking Service and also recruit, train and implement two quite different CCTV monitoring operations. Furthermore the Company started to implement the new Training and Development programme for it's whole staff.

The Management Team are aware that there is a real threats to our business due to the review of the Employment Support Programme but nonetheless we look to the future with optimism and are eager to develop the new exciting opportunities that now exist for USEL and it's employees.

Mitchel Wylie

Chief Executive

21 August 2002

Auditors' report to the members of Ulster Supported Employment Limited

We certify that we have audited the financial statements on pages 19 to 32 under the Companies (Northern Ireland) Order 1986. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 30.

Respective responsibilities of the Chief Executive and Auditors

As described on page 5 the Chief Executive is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Chief Executive is also responsible for the preparation of the other contents of the Annual Report. Our responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and directions made thereunder by the Department for Employment and Learning and whether in all material respects the expenditure and income have been applied to the purposes intended by The Northern Ireland Assembly and the financial transactions conform to the authorities which govern them. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our certificate if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 6 reflects the Company's compliance with the Department of Finance & Personnel guidance "Corporate governance: statement on internal control". We report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Executive 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 error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by The Northern Ireland Assembly and the financial transactions conform to the authorities which govern them. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

Auditors' report to the members of Ulster Supported Employment Limited (continued)

Opinion

In our opinion:

- **the financial statements give a true and fair view of the state of affairs of the Company at 31 March 2002 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and directions made thereunder by the Department for Employment and Learning; and**
- **in all material respects the expenditure and income have been applied to the purposes intended by The Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.**

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Belfast

21 August 2002

Income and expenditure account

for the year ended 31 March 2002

| | | 2002 | 2001 |
|-----------------------------------------------------------------|-------|--------------------|-------------|
| | Notes | £ | £ |
| Turnover | 2 | 2,634,045 | 2,363,342 |
| Contributions from DEL | | 3,528,135 | 3,370,577 |
| | | 6,162,180 | 5,733,919 |
| Staff costs | 5 | (5,771,953) | (5,342,710) |
| Other operating costs | 6 | (511,094) | (431,166) |
| Depreciation | | (102,033) | (72,373) |
| | | (6,385,080) | (5,846,249) |
| Operating deficit | | (222,900) | (112,330) |
| Exceptional item | 7 | - | (11,192) |
| | | (222,900) | (123,522) |
| Notional cost of capital | 21 | (115,732) | (121,828) |
| Interest receivable and other income | | 17,042 | 40,184 |
| Deferred income released | 13 | 16,000 | - |
| Transfer to donated asset reserve | | - | (6,632) |
| Deficit for the year | 3 | (305,590) | (211,798) |
| Notional credit cost of capital | 21 | 115,732 | 121,828 |
| Deficit for the year attributable to DEL revenue account | | (189,858) | (89,970) |
| DEL revenue account at beginning of year | | (553,440) | (580,769) |
| Reserve movement | 14(b) | - | 117,299 |
| DEL revenue account at end of year | 14(b) | (743,298) | (553,440) |

Statement of total recognised gains and losses

for the year ended 31 March 2002

| | 2002 | 2001 |
|-------------------------------------------------------------------------------------------------------------|------------------|-----------|
| | £ | £ |
| Deficit for the financial year | (189,858) | (89,970) |
| Unrealised surplus on revaluation of plant, office equipment and motor vehicles to current replacement cost | 19,670 | (10,382) |
| Total recognised losses | (170,188) | (100,352) |

Approved by the Board of Directors on 21 August 2002

D Russell
Chairman

JM Wylie
Chief Executive

The notes on pages 23 to 32 form part of these financial statements

Balance sheet at 31 March 2002

| | | 2002 | 2001 |
|-------------------------------------------------------|-------|------------------|-----------|
| | Notes | £ | £ |
| Fixed assets | | | |
| Tangible assets | 9 | 1,900,445 | 1,953,240 |
| Current assets | | | |
| Stocks | 10 | 98,139 | 109,465 |
| Debtors | 11 | 826,886 | 1,145,905 |
| Bank balances and cash | | 17,861 | - |
| | | 942,886 | 1,255,370 |
| Creditors: amounts falling due within one year | 12 | (667,528) | (908,119) |
| Net current assets | | 275,358 | 347,251 |
| Total assets less current liabilities | | 2,175,803 | 2,300,491 |
| Deferred income | 13 | (784,000) | (800,000) |
| Net assets | | 1,391,803 | 1,500,491 |
| | | | |
| Loan — Department for Employment and Learning, | 14a | 2,045,760 | 1,984,260 |
| General fund | 14b | (743,298) | (553,440) |
| Donated assets reserve | 15 | - | - |
| Revaluation reserve | 22 | 89,341 | 69,671 |
| | | 1,391,803 | 1,500,491 |

Approved by the Board of Directors on 21 August 2002

D Russell

Chairman

JM Wylie

Chief Executive

The notes on pages 23 to 32 form part of these financial statements.

Cash flow statement

for the year ended 31 March 2002

| | | 2002 | 2001 |
|--------------------------------------------------------|-------|--------------------|-------------|
| | Notes | £ | £ |
| Net cash inflow from operations | | | |
| Net cash outflow from operating activities | 17(a) | (3,445,825) | (3,211,035) |
| Net cash inflow — DEL contributions | 17(b) | 3,589,635 | 4,156,577 |
| Net cash inflow from operating activities | | 143,810 | 945,542 |
| Returns on investments and servicing of finance | 18(a) | 5,242 | 34,404 |
| Capital expenditure | 18(a) | (17,768) | (1,541,825) |

| | | | |
|------------------------------------|-------|------------------|-----------|
| Increase/(decrease) in cash | | 131,284 | (561,879) |
| Net funds at 1 April 2000 | | (180,638) | 381,241 |
| Net funds at 31 March 2001 | 18(b) | (49,354) | (180,638) |

Approved by the Board of Directors on 21 August 2002

D Russell
Chairman

JM Wylie
Chief Executive

The notes on pages 23 to 32 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2002

1. Accounting policies

The financial statements have been prepared in accordance with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986 and the Statements of Standard Accounting Practice issued by UK accountancy bodies in a form directed by the Department for Employment and Learning with the consent of the Department of Finance and Personnel. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared on the accruals basis under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with approved accounting standards.

Tangible fixed assets and depreciation

Long leasehold buildings are stated at open market value and other fixed assets are stated at net current replacement cost.

Tangible fixed assets are depreciated on a straight-line basis at rates designed to write off the cost of these assets over their expected useful lives. The annual rates are based on the following useful lives:-

Long leasehold buildings - 50 years

Plant and office equipment - 10 years

Motor vehicles - 4 years

Stocks and work in progress

Stocks are stated at current replacement cost or, if lower, at net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and, if appropriate, direct overheads.

Pension costs

The company operates a defined benefit scheme for the directors and employees. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services.

The accounting requirements of FRS 17 "Retirement Benefits" will have to be implemented in full for the year ended 31 March 2004. FRS 17 requires a surplus or deficit in a pension scheme (measured with reference to the fair values of the scheme assets and actuarially valued liabilities) to be shown on the employer's balance sheet. Changes in those fair values from year to year will be reflected in the profit and loss account or statement of total recognised gains and losses as appropriate. Disclosures required under the transitional arrangements of FRS 17 are provided in Note 23 to these financial statements.

Cost of capital

The financial statements include provision under interest payable and other charges for a notional interest cost of capital employed by the Company during the year, at 8% of the average capital employed. The credit entry corresponding to the notional cost of capital is shown as a reversing entry below the result for the year.

2. Turnover

Turnover represents the invoice value of goods and services supplied to customers, excluding VAT.

| | 2002 | 2001 |
|--------------------|-----------|-----------|
| | £ | £ |
| Trading income | 567,111 | 626,522 |
| Contract services | 264,354 | - |
| Employment support | 1,802,580 | 1,736,820 |

| | | |
|--|------------------|-----------|
| | 2,634,045 | 2,363,342 |
|--|------------------|-----------|

All sales are within the United Kingdom and Republic of Ireland.

3. Deficit for the year

This is stated after charging/(crediting):

| | | |
|------------------------------------------------------------------------------|-----------------|----------|
| | 2002 | 2001 |
| | £ | £ |
| Auditors' remuneration - Internal audit | 3,458 | 3,100 |
| - External audit | 2,750 | 2,750 |
| Depreciation | 102,033 | 72,373 |
| Profit on sale of fixed assets | (11,800) | (5,779) |
| Interest receivable | (5,242) | (27,773) |
| Exceptional costs incurred on relocation of the business to the new premises | (25,400) | - |

4. Emoluments of directors and senior management

| | Age | Salary including performance pay | Real increase in pension at 65 | Total accrued pension at 65 at 31 March 2002 |
|----------------------------------|------------|-----------------------------------------|---------------------------------------|-----------------------------------------------------|
| | | £ | £ | £ |
| D Russell (Chairman) | 58 | 2,525 | - | - |
| Mrs CD Donaldson (Director) | 42 | 990 | - | - |
| A Hanna (Director) | 36 | 1,270 | - | - |
| Mrs E Fiddis Carville (Director) | 57 | 1,270 | - | - |
| Mrs H Bowman (Director) | 54 | 1,290 | - | - |
| Mrs K Murphy (Director) | 64 | 830 | - | - |
| JM Wylie (Chief Executive) | 56 | 44,918 | 1,576 | 5,329 |

"Salary" includes gross salary, bonus and other benefits in kind subject to UK taxation.

The company operates a uniform pension scheme providing benefits on a "final salary" basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service. The contributions to the scheme are determined by a qualified actuary based on triennial valuations using the Entry Age Normal Method and at present members pay contributions of 6% of pensionable earnings and the company pays 6.6%. Pensions increase annually in line with the Retail Prices Index up to a maximum of 5%. On death, pensions are payable to a surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and a spouse's pension equal to one half the member's prospective pension.

5. Staff particulars

| | 2002 | 2001 |
|------------------------------|------------------|-----------|
| | £ | £ |
| Staff costs comprise: | | |
| Wages and salaries | 5,224,913 | 4,904,009 |
| Social security costs | 282,441 | 247,152 |
| Other pension costs | 264,599 | 191,549 |
| | 5,771,953 | 5,342,710 |

The average number of people in employment during the year (including executive directors) was as follows:

| | 2002 | 2001 |
|-----------------------------------|------------|------|
| | £ | £ |
| Management and administration | 26 | 17 |
| Production distribution and sales | 78 | 63 |
| Employment support | 599 | 580 |
| | 703 | 660 |

6. Other operating costs

| | 2002 | 2001 |
|-------------------------|----------------|---------|
| | £ | £ |
| Materials | 227,517 | 240,355 |
| Light, heat and power | 13,048 | 26,315 |
| Rent and rates | 9,555 | 1,400 |
| Repairs | 14,222 | 7,082 |
| Tools | 212 | 667 |
| Telephone | 13,025 | 8,745 |
| Canteen | (124) | 158 |
| Discounts received | (2,216) | (2,240) |
| General expenses | 20,019 | 12,095 |
| Insurance | 43,434 | 33,478 |
| Advertising | 4,822 | 892 |
| Audit - internal audit | 3,458 | 3,100 |
| - external audit | 2,750 | 2,750 |
| Bad debts written off | 4,369 | 3,278 |
| Computer | 21,040 | 7,359 |
| Debt collection | 175 | 509 |
| Discount allowed | 851 | 5,118 |
| Motor expenses | 17,809 | 20,245 |
| Packing | 722 | 420 |
| Postage | 6,965 | 5,328 |
| Printing and stationery | 11,981 | 7,223 |
| Travel | 24,382 | 16,442 |
| Training | 2,129 | 3,653 |

| | | |
|-----------------------------|----------------|---------|
| Legal and professional fees | 12,267 | 12,143 |
| Bank charges | 3,314 | 2,262 |
| FETE expenses | 5,620 | 12,389 |
| Security Costs | 42,216 | - |
| Moving Expenses | 3,832 | - |
| Consultancy Fees | 3,700 | - |
| | 511,094 | 431,166 |

7.

8. Exceptional items

| | | |
|-----------------------------------------------------------------------------|-------------|--------|
| | 2002 | 2001 |
| | £ | £ |
| Provision for permanent diminution in the value of long leasehold buildings | - | 11,192 |

The provision for permanent diminution in value of long leasehold buildings during 2001 arose as a result of an agreed sales price of the building as at 31 March 2001.

9. Taxation

The Company is registered as a charity for tax purposes and is exempt from taxation.

10. Tangible fixed assets

| | Long leasehold buildings | Plant and office equipment | Motor vehicles | Total |
|------------------|---------------------------------|-----------------------------------|-----------------------|--------------|
| | £ | £ | £ | £ |
| Valuation | | | | |
| At 31 March 2001 | 2,169,300 | 555,547 | 191,472 | 2,916,319 |
| Additions | 247,572 | 48,282 | 58,716 | 354,570 |

| | | | | |
|-------------------------|------------------|----------------|----------------|------------------|
| Disposals | (679,100) | (1,932) | (27,700) | (708,732) |
| On revaluation | 30,585 | (27,770) | (472) | 2,343 |
| At 31 March 2002 | 1,768,357 | 574,127 | 222,016 | 2,564,500 |
| Depreciation | | | | |
| At 31 March 2001 | 354,098 | 474,464 | 134,517 | 963,079 |
| Charge for year | 35,367 | 24,247 | 42,419 | 102,033 |
| On disposals | (354,098) | (1,932) | (27,700) | (383,730) |
| On revaluation | - | (17,088) | (239) | (17,327) |
| At 31 March 2002 | 35,367 | 479,691 | 148,997 | 664,055 |
| | | | | |
| Net book value | | | | |
| At 31 March 2002 | 1,732,990 | 94,436 | 73,019 | 1,900,445 |
| At 31 March 2001 | 1,815,202 | 81,083 | 56,955 | 1,953,240 |

The company's long leasehold buildings were revalued on 31 March 2001 on the basis of their agreed sales price of £325,000.

The company's other assets have been revalued at 31 March 2002 using the indices from the Office for National Statistics and the overall deficit of £19,670 (2001: deficit of £10,382) after depreciation, was transferred to the revaluation reserve (see note 22).

11. Stocks

| | 2002 | 2001 |
|---------------------------------|----------------|---------|
| | £ | £ |
| Raw materials | 80,846 | 89,843 |
| Work in progress | 8,707 | 7,544 |
| Finished goods | 13,586 | 17,078 |
| Provision for slow moving stock | (5,000) | (5,000) |
| | 98,139 | 109,465 |

12. Debtors

| | 2002 | 2001 |
|---------------------------------------|----------------|-----------|
| | £ | £ |
| Trade debtors - trade | 156,114 | 84,941 |
| - employment support | 366,124 | 554,695 |
| Prepayments and accrued income | 9,595 | 13,528 |
| Retention monies outstanding from DEL | 292,905 | 268,315 |
| Other debtors | 2,148 | 224,426 |
| | 826,886 | 1,145,905 |

13. Creditors: amounts falling due within one year

| | 2002 | 2001 |
|------------------------------------|----------------|---------|
| | £ | £ |
| Bank overdraft | 67,215 | 180,638 |
| Trade creditors | 40,241 | 277,604 |
| Accruals and deferred income | 384,035 | 390,927 |
| Other taxation and social security | 89,577 | 55,433 |
| Other creditors | 86,460 | 3,517 |
| | 667,528 | 908,119 |

14. Deferred Income

| | 2002 | 2001 |
|--|-------------|------|
| | | |

| | £ | £ |
|-------------------------------------------|-----------------|---------|
| At 31 March 2001 | 800,000 | - |
| Amount released to income and expenditure | (16,000) | - |
| Advances in year | - | 800,000 |
| At 31 March 2002 | 784,000 | 800,000 |

On 21 March 2001 the Department for Employment and Learning advanced a grant of £800,000 to aid with the purchase of the new building. This is not repayable to the Department and is being released to the income and expenditure account over a period of 50 years to match the depreciation charge of the new building.

14a Loan — Department for Employment and Learning

| | 2002 | 2001 |
|--------------------------------------|------------------|-----------|
| | £ | £ |
| At 31 March 2001 | 1,984,260 | 1,935,260 |
| Advances in year | 398,300 | 56,100 |
| Proceeds of disposal of fixed assets | (336,800) | (7,100) |
| At 31 March 2002 | 2,045,760 | 1,984,260 |

The loan is advanced by the Department for Employment and Learning and is secured by a charge on the Company's undertakings and all its property both present and future under a debenture dated 22 March 1963. The balance also includes USEL's accumulated net deficit which is supplemented by the DEL.

14b General Fund

| | 2002 | 2001 |
|----------------------------------------------|------------------|-----------|
| | £ | £ |
| At 31 March 2002 | (553,440) | (580,769) |
| Transfer from donated asset reserve | - | 117,299 |
| Transfer from income and expenditure account | (189,858) | (89,970) |
| At 31 March 2002 | (743,298) | (553,440) |

15 Donated asset reserve

| | 2002 | 2001 |
|-----------------------------------|------|-----------|
| | £ | £ |
| At 31 March 2001 | - | 110,667 |
| Interest received during the year | - | 6,632 |
| Transferred to general fund | - | (117,299) |
| At 31 March 2002 | - | - |

This income has been lodged to the Company's fixed deposit account and has earned interest amounting to £Nil (2001: £6,632).

16. Members' liability

Each member of the Company is liable to contribute, in the case of a winding up, a sum not exceeding £1. The number of members at the balance sheet date was 6.

17.**18. Reconciliation of operating deficit to net cash inflow from operating activities**

| | 2002 | 2001 |
|-----------------------------------------------------------------------------------------------|--------------------|-------------|
| | £ | £ |
| (a) Net cash outflow from operating activities: | | |
| Operating deficit | (222,900) | (112,330) |
| Exclude contributions received and receivable from the Department for Employment and Learning | (3,528,135) | (3,307,577) |
| Trading loss | (3,751,035) | (3,419,907) |
| Depreciation | 102,033 | 72,373 |
| Decrease in stocks | 11,326 | 7,485 |
| Decrease/(increase) in debtors | 319,019 | (195,418) |

| | | |
|---------------------------------------------------|--------------------|-------------|
| (Decrease)/increase in creditors | (127,168) | 324,432 |
| | (3,445,825) | (3,211,035) |
| (b) Net cash inflow from DEL contributions | | |
| Contributions from DEL | 3,528,135 | 3,307,577 |
| Increase in DEL loan creditor | 61,500 | 49,000 |
| Deferred income | - | 800,000 |
| | 3,589,635 | 4,156,577 |

18a Gross cash flows

| | 2002 | 2001 |
|--------------------------------------------------------|------------------|-------------|
| | £ | £ |
| Returns on investments and servicing of finance | | |
| Interest received | 5,242 | 34,405 |
| Capital expenditure | | |
| Payments to acquire fixed assets | (354,570) | (1,548,925) |
| Receipts from sales of tangible fixed assets | 336,802 | 7,100 |
| | (17,768) | (1,541,825) |

18b Analysis of changes in net debt

| | At 1 April 2001 | Cash flows | At 31 March 2002 |
|--------------------------------------------------------|--------------------|---------------|----------------------------|
| | £ | £ | £ |
| Returns on investments and servicing of finance | | | |
| Cash in hand and at bank | (180,638) | 131,284 | (49,354) |

19. Financial commitments

At 31 March 2002 authorised future capital expenditure amounted to £Nil (2000: £Nil).

20.

21. Financial performance targets

The Department for Employment and Learning does not consider it appropriate to set financial targets for Ulster Supported Employment Limited.

22. Notional cost of capital

The notional cost of capital is calculated as £115,732 (2001: £121,828).

The credit entry corresponding to the notional cost of capital is shown as a reversing entry below the result for the year.

23. Revaluation reserve

| | 2002 | 2001 |
|----------------------------------------------------------------------|---------------|----------|
| | £ | £ |
| Balance at 31 March 2001 | 69,671 | 80,053 |
| Revaluation of buildings, plant, office equipment and motor vehicles | 19,670 | (10,382) |
| Balance at 31 March 2002 | 89,341 | 69,671 |

24. Commitment to pension fund

The company operates a pension scheme for its employees, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of the pension over employees' working lives with the company. The contributions to the main scheme are determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Method. The latest full actuarial valuation was carried out as at 5 March 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.75% per annum from equity assets (held in respect of members who have not yet retired) and

5.5% in respect of assets backing pensions in payment, that salary increases would average 4.5% per annum and that present and future pensions would increase at the rate of 2.5% per annum. The pension charge for the period was £282,441 (2001: £191,549).

The valuation showed that the market value of the scheme's assets was £2,123,000 and that the actuarial value of those assets represented 96% of the benefits that had accrued to members after allowing for future increases in earnings. The contributions of the company were set at 9%.

The valuation was updated by the actuary to 31 March 2002 for the purposes of FRS 17. The assumptions used for this purpose were as follows:

| | | At year-end 31 March 2002 |
|-----------------------------------------|--|------------------------------------------|
| Rate of increase in salaries | | 4.50% |
| Rate of increase of pensions in payment | | 2.50% |
| Discount rate | | 6.00% |
| Inflation assumption | | 2.75% |

23 Commitment to pension fund (continued)

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

| | At year-end 31 March 2002 | At year-end 31 March 2002 |
|------------------------------|------------------------------------------|------------------------------------------|
| | | £'000 |
| Equities | 8.00% | 2,347 |
| Cash | 4.00% | 41 |
| Total market value of assets | | 2,388 |

The following amounts at 31 March 2002 were measured in accordance with the requirements of FRS 17.

| | | At year-end 31 March 2002 |
|--|--|------------------------------------------|
| | | £'000 |

| | | |
|----------------------------------------|--|----------------|
| Total market value of assets | | 2,388 |
| Actuarial value of liability | | (4,068) |
| Recoverable deficit in the scheme | | (1,680) |
| Related deferred tax asset/(liability) | | - |
| Net pension liability | | (1,680) |

If the above amounts had been recognised in the financial statements the company's net assets would be as follows:

| | | |
|------------------------------------------------|--|--------------------|
| | | At year-end |
| | | 31 March |
| | | 2002 |
| | | £'000 |
| Net assets excluding pension asset | | 1,392 |
| Pension liability | | (1,680) |
| Net liabilities including pension asset | | (288) |

25. Related party transactions

Ulster Supported Employment Limited is a Non-Departmental Public Body (NDPB) sponsored by the Department for Employment and Learning. The Department for Employment and Learning is regarded as a related party. During the year, Ulster Supported Employment Limited has had various transactions with the Department and with other entities for which the Department for Employment and Learning is regarded as the parent Department.

None of the board members, members of the key management staff or other related parties have undertaken any material transactions with Ulster Supported Employment Limited during the year.

The following balances included in Ulster Supported Employment Limited's accounts relate to transactions with the Department for Employment and Learning.

| | Balance due from DEL | Job broking Advances due To DEL | Retention monies due | Loan | Grants received |
|-------------------------------------------------------|-------------------------------------|----------------------------------------------------|-------------------------------------|-------------|----------------------------|
| | £ | £ | £ | £ | £ |
| Department for Employment and Learning | | | | | |

| | | | | | |
|----------------------|---------------|---------------|----------------|------------------|------------------|
| 31 March 2002 | 97,829 | 52,105 | 292,905 | 2,045,760 | 3,589,635 |
| 31 March 2001 | 253,295 | - | 268,315 | 1,984,260 | 4,170,577 |