



**JULIAN HOUSE**

**REPORT OF THE BOARD OF MANAGEMENT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2013**

## **CONTENTS**

### **Page**

<b>Legal and administrative details</b>	<b>3</b>
<b>Report of the Board of Management</b>	<b>4</b>
<b>Independent Auditors Report</b>	<b>11</b>
<b>Consolidated Income and Expenditure account</b>	<b>13</b>
<b>Consolidated Balance Sheet</b>	<b>14</b>
<b>Accounting policies and Notes to the financial statements</b>	<b>16</b>

**JULIAN HOUSE  
FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2013**

---

Registration number (under the Industrial and Provident Societies Act 1965): **19305R**

Registered with the Tenant Services Authority as a Registered Provider - registration number: **L4549**

**Registered office:** 55 New King Street, Bath BA1 2BN

**Board of Management:**

Elected	Libby Gawith	Chair
	Bob Alderman *	
	Matthew Graham	
	Jonathan O'Shea	
	Ben Simpson	
	John Symonds	
	Christine Tuckerman	
	Roger Wain-Heapy	
	Claire Wynne-Hughes *	
	Barry Hughes	
	Sean McDonagh	
	Declan Howlett	(Appointed January 2013)
	Maggie King	(Appointed January 2013)
	Michael Whitcroft	(Appointed May 2013)
	David Lyon	(Resigned October 2012)
	Annie Paddock	(Resigned July 2012)
	Amanda Loran*	(Resigned December 2012)

**Chief Executive:** Peter Denning

**Senior Management Team:**

John Isserlis	Operations Director
Helene Law	Finance Director & Secretary
Cecil Weir	Funding & PR Manager
Jane Andrew	HR & Admin Manager

**Auditors:** Bishop Fleming, 16 Queen Square, Bristol BS1 4NT

**Bankers:** Lloyds TSB, Milsom Street, Bath BA1 1DN  
Bank of Scotland, Bath Street, Glasgow GL2 2DN  
CAF Bank Ltd, Kings Hill, Kent ME19 4JQ  
Monmouthshire Building Society, Monmouthshire House, John Frost Square, Newport, South Wales NP20 1PX

\* on the Board for more than 9 years

## **REPORT OF THE BOARD OF MANAGEMENT**

The Board of Management present their report together with financial statements for the year ended 31 March 2013.

### **Our Vision:**

**Reduce homelessness and eradicate the need for rough sleeping.**

### **Julian House's 2013-18 Strategic Aims and Objectives:**

- Be the major local influence and contributor to the development of progressive and integrated solutions to homelessness, whilst increasing the organisation's base of services.
- Provide effective value-for-money services, which through housing and support contribute to improved wellbeing for people in vulnerable circumstances.
- Empower and facilitate Service User contributions to the services they use and to the development of new services.
- Advocate and campaign against discrimination, inequalities and injustices faced directly or indirectly by Service Users.
- Be acknowledged as an organisation which values its staff and volunteers, with a commitment to equal opportunities and personal development.
- Increase financial organisational stability year-on-year whilst contributing to a sustainable environment.

The work of the organisation is carried out by a team of 53 staff (part and full time) supported by 190 volunteers. Tasks include working in the kitchen at Manvers Street Hostel, carrying out bike repair at the Bath Bike Workshop, cooking in the kitchen at our project in Henrietta Street, supporting various Meaningful Occupation activities, providing Business Development support, supporting our two Charity Shops and through Board membership. We are extremely grateful for all the working hours that these volunteers donate to us as we would not be able to provide the current level of service without them.

### **Introduction**

Julian House has made considerable progress in developing new and existing services which have had an impact on the lives of hundreds of socially excluded people. In Bath; we have changed the opening hours of our night shelter/day centre and become a 24 hour Direct Access Hostel. The completely refurbished shelter with individual pod-rooms gives the Service Users privacy, dignity and the opportunity to improve their circumstances with skilled, focussed support from our staff and volunteers. We have increased overall capacity from 21 to 29 beds, through the use of two other properties. The accommodation is full most evenings and capacity can be increased to meet demand during periods of severe weather.

**JULIAN HOUSE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

---

Our sincere thanks goes to all the people that made this possible including the fundraising for our capital appeal. We would particularly note the grants from The Clothworkers Foundation (£45k) and Bath and North East Somerset Council (B&NES) (£90k), the project management provided through a secondment from Wessex Water, the innovative and sympathetic re-design created by O'Leary Goss Architects and building work undertaken by Ken Biggs Contractors Ltd.

We have continued to provide The Freedom Programme for women either fleeing or currently in domestically violent relationships. We ran the 12 week course three times this financial year and extended the service to young women who were identified as a group in need of specialist support. We have enabled a Survivors Empowering and Educating Domestic Abuse Services (SEEDS) group to be set up for women who have completed The Freedom Programme and who want to continue to share their experiences and influence service development across B&NES.

The extension of Peter House (our ex-offender project) has meant extra capacity and added value for our Service Users, commissioners and stakeholders, also contributing to increased use of the Private Rented Sector accommodation options.

Social Enterprise continues to thrive with the Bath Bike Workshop growing in 2012, both financially and in reputation. The charity shops have been successful in sales and contribute to the positive presence Julian House has in the area and we are planning more shops in the next financial year.

Julian House had a positive year making moderate growth in income and undertaking a significant staffing restructure, which saw the development of specialist lead roles focussing on areas of need and future development of services.

During the year we have added another property with 6 rooms and a new Specialist Outreach Worker post was created to work with entrenched Rough Sleepers across the Authority.

Part of Julian House's approach to improve financial sustainability is to spread financial income over several areas to avoid dependency on one single area. Progress was made on all fronts during the year with statutory income, charitable income and Social Enterprise (business) income growth. Alongside this was a corresponding growth in the organisation's capacity to support vulnerable people.

Julian House is actively seeking mergers and announcements will be made in due course.

### **Structure, Governance & Management**

The organisation is a charitable housing society registered under the Industrial & Provident Societies Act 1965, which was first registered in 1988. The organisation is also a Registered Provider, registered with the Homes and Communities Agency.

The objects and powers of the society are laid down in its Rules which are based on the National Housing Federation's Model Rules 2005.

**JULIAN HOUSE  
FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2013**

---

The strategy and direction of the society is provided by the Board of Management and its Groups (i.e. committees) and Working Groups (i.e. time limited Committees). The implementation of the society's strategy and the provision of its day-to-day services are delegated to the Chief Executive and the Senior Management Team.

The Board has signed up to the code of governance for members of the National Housing Federation and seeks to abide at all times by the principles of good governance outlined in that document.

Julian House tailored its own specific Code of Governance in 2005 based on the NHF's Competence & Accountability 2004 (Code of Governance for members of the National Housing Federation) and in line with the flexibility offered in paragraph A1 of the Code. The Julian House Code explicitly states how the NHF Code has been interpreted and implemented within Julian House. For example: the NHF Code B11 says 'Where a board agrees to pay its members it should...' The Julian House Code B11 says 'The Julian House Board does not pay its members'. This Code of Governance is incorporated into the organisation's constitution.

At 31 March 2013 there were 13 members, each of whom held a single £1 share. This is the limit of their liability should the society be wound up.

Julian House has one subsidiary, Julian House Trading Limited (JHT). JHT is a company limited by shares, which are all held by Julian House. Since April 2011 JHT operates as a social enterprise which offers employment and training opportunities to disadvantaged individuals; and which make profits that can be used to further the aims of Julian House. The JHT Board of Management includes two members of the JH Board of Management, Barry Hughes (Chair of JHT) and Christine Tuckerman.

***Policy for admitting & removing shareholders***

The Julian House policy for admitting and removing shareholders is that:

- Only appointed or elected Board members may become shareholders.
- Once an appointed or elected Board member ceases to be a Board member then they cease to be a shareholder.

***Recruitment & Appointment of Board Members***

At each AGM one third of the elected Board members are required to stand down. At the last AGM Ben Simpson, Bob Alderman and Claire Wynne-Hughes stood down from the Board and were re-elected. David Lyon, Amanda Loran and Annie Paddock resigned during the year.

Any Board member who has been appointed by the Board since the previous AGM is also required to stand down and make themselves available for election at the next AGM. Declan Howlett, Maggie King, and Michael Whitcroft were appointed during the year.

In February 2010 Julian House was registered with the Tenant Services Authority as a Registered Provider. A requirement of this registration is that there should be a maximum of 15 Board members (including co-optees). At 31st March 2013 Board membership is 13.

### ***Board Members' Induction & Training***

New Board members undergo a period of induction. They receive an induction pack containing details of Board and management structures, a copy of the organisation's Code of Governance and its Rules (i.e. constitution), and information on all the organisation's projects and services.

Within the first few weeks new members are briefed by each member of the Senior Management Team on the content and issues of their respective areas of responsibility and go on to visit each project and service to meet staff and Service Users. New Board members are encouraged to be trained as volunteers and to undertake some volunteer sessions in Julian House night shelter and/or day centre, in order to experience grass roots service delivery. Board members are required to sign an 'Agreement of Board Membership' to signify their understanding of their role and responsibilities as a Board member.

### ***Risk Management***

The Board conducts a review of the major risks to which the society is exposed. A risk register has been established and is updated at least annually. Where appropriate, systems have been established to mitigate the risks.

Internal control risks are minimised by clearly defining levels of delegated authority and by implementing systems of authorisation.

Procedures are in place to ensure compliance with the health and safety of staff, volunteers, Service Users and visitors. Health and safety has a high profile across the organisation with significant levels of Board, staff and Service User participation.

The principal risks anticipated are the changes in future benefit rules and loss of grant funding. These are mitigated by keeping abreast of future legislation and developments and by keeping our income as diverse as possible.

### ***Organisational Structure***

Julian House aims to hold its Board to between 12 and 14 Board members. The Chief Executive, Finance Director and members of the Senior Management Team are in attendance at Board meetings as is an elected staff representative. No staff have voting rights, however on significant issues staff comments and views are minuted.

### ***Related Parties***

In so far as it is complimentary to the society's objects, the society is guided by both local and national policy. It also strives to work in partnership with other voluntary agencies, statutory agencies and service commissioners to achieve the best overall outcomes for existing and future Service Users.

**JULIAN HOUSE  
FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2013**

---

B&NES' Supporting People & Communities grants are the dominant funding for the majority of Julian House's services. Most of this funding is provided to B&NES by central government (the Department of Communities & Local Government (DCLG)).

The society plays a major role in shaping service developments affecting its Service User group in B&NES through active participation in a wide range of statutory and voluntary sector forums.

**Principal Funding Sources**

***Statutory Funding***

B&NES' Supporting People & Communities grants are the main funding for the majority of Julian House's services. Most of this funding is provided to B&NES by central government (Department of Communities & Local Government).

***Rent***

The second major category of income derives from rents, normally paid via housing benefit. The rent levels charged by the society reflect the costs incurred by the society in providing and managing the accommodation.

***Income from Non-Social Housing Activities***

Voluntary income held up well with £309k raised in the year (£310k in 11/12). In addition to the core fundraising activities there was also a one-off capital appeal in support of the hostel refurbishment project. This raised just over £301k.

The resilience of the voluntary income is due in part to the commitment of Julian House's supporters and to the diversity of the various income streams. Individual giving remains the largest strand of support but other major contributors include grant making trusts, annual events and one off initiatives such as the very successful Auction of Promises. Over and above the monetary support which the participants and donors give to these appeals/activities Julian House is also indebted to the many individuals and organisations that provide invaluable support in kind. These are too many to list but worthy of particular mention is Wessex Water. Also worth highlighting are the many volunteers who work in the organisation's shops and play key roles in events such as the Circuit of Bath Walk.

***Julian House Trading Ltd (JHT)***

Bath Bike Workshop (BBW) is the largest operating arm of JHT. This is a social enterprise which refurbishes and sells second-hand bikes, cycling accessories/spare parts and also acts as the local agents for Raleigh and Dawes. In addition to the significant recycling aspect of the business BBW also offers valuable training and work experience opportunities for Julian House Service Users – skills and experience which will help them back into the job market. Profits from BBW are reinvested back into the business or gifted back to Julian House for its frontline projects.

**JULIAN HOUSE  
FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2013**

---

BBW performance during the period has been good. Turnover has now passed the £100k mark and in only its second full year of trading the business has generated a surplus of £4k. During 2012/13 up to 22 people per quarter had work experience at the workshop.

Christmas card sales, in partnership with Cards for Good Causes, make up the remainder of JHT's £2k turnover.

**Investment Policy**

Julian House retains a prudent amount in an interest bearing bank current account to cover immediate outgoings. The balances of the reserves are held in a bank and building society account paying competitive rates of interest.

**Reserves Policy**

The Julian House Reserves Policy takes into account the risks associated with its major funding streams and the predicted cash flow requirements during the year. Our future strategy is considered and funds are allocated according to our business plan for future years.

Restricted reserves are those donated, or raised, for use for a particular purpose. This year our only restricted income and reserve was for the refurbishment of Manvers Street Hostel.

Designated reserves are unrestricted funds set aside at the discretion of the Trustees for specific purposes.

The free reserves are the unrestricted funds less the capital reserve. The capital reserve is invested in our fixed assets. Our current capital reserve is £1,189k of which £294k is restricted as it was raised specifically for the improvement of Manvers Street Hostel.

The free reserves are allocated by the Trustees as follows:

- The Revenue Reserve is held to cover any possible financial risk to Julian House and is £485k.
- The Premises Sinking Fund is money put aside for major repair and maintenance anticipated over the next year. The reserve is the anticipated spend for the following year and stands at £82k
- Refurbishment Fund: A major refurbishment of the Night Shelter commenced in June 2012 and is now completed.
- The New Projects Fund is being built up to allow Julian House to provide more services to homeless people in B&NES and the surrounding local authority areas. Properties for purchase, lease or rent are currently being reviewed as part of our Strategy to move into areas outside of B&NES. Funding has also been set aside to further develop our Women's Service. The new projects fund stands at £216k at the end of this financial year.

### **Responsibilities of the Board of Management**

The Industrial and Provident Societies Acts 1965 requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Julian House and its subsidiary and the surplus or deficit for that period. In preparing these financial statements the Board of Management is required to:

- a) Select suitable accounting policies and apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) State whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements been followed, subject to any departures disclosed and explained in the financial statements;
- d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that Julian House will continue in operation.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Julian House and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965. The Board is also responsible for safeguarding the assets of Julian House and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

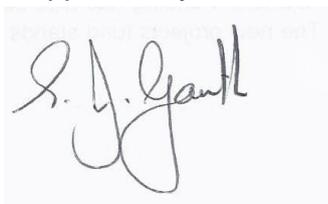
### **Auditors**

The audit services were reviewed and tendered in 2012, and Bishop Fleming were appointed.

### **Going concern**

The Board of Management has a reasonable expectation that Julian House has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

Approved by the Board of Management on 11/09/13 and signed on its behalf by:-



Libby Gawith

Chair

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JULIAN HOUSE**

We have audited the financial statements of Julian House for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities [set out on page 10], the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2012.

**JULIAN HOUSE  
FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2013**

---

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

A handwritten signature in black ink, appearing to read 'Joseph Scaife', is written over a light grey rectangular background.

Joseph Scaife FCA (Senior Statutory Auditor)  
for and on behalf of  
Bishop Fleming  
Chartered Accountant  
Statutory Auditors  
16 Queen Square  
Bristol  
BS1 4NT

Date: 18/09/13

**JULIAN HOUSE  
FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2013**

**JULIAN HOUSE CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £	2012 £
<b>TURNOVER</b>	2a	<b>2,166,785</b>	1,733,585
Operating Costs	2a	<b>(1,960,202)</b>	(1,726,210)
Operating Surplus/(Deficit)	2a	<b>206,583</b>	7,375
Surplus on sale of housing accommodation		-	-
Interest Receivable and Other Similar Income	6	<b>8,817</b>	7,882
Mortgage Interest Payable and Similar Charges		<b>(4,257)</b>	-
Legacy Income		<b>10,386</b>	16,772
Surplus on Ordinary Activities before Taxation		<b>221,529</b>	32,029
Tax on Surplus on Ordinary Activities	20	-	-
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>221,529</b>	32,029

There were no other recognised surpluses or deficits other than those included in the Income and Expenditure Account for the above two financial years. None of the Society's activities were acquired or discontinued during the year apart from the café which was closed.

JULIAN HOUSE CONSOLIDATED BALANCE SHEET AT 31 MARCH 2013

		Society		Group	
	Note	31 March 2013 £	31 March 2012 £	31 March 2013 £	31 March 2012 £
<b>Tangible assets</b>					
Freehold and leasehold properties	7	<b>1,319,951</b>	849,646	<b>1,319,951</b>	849,646
Fixtures, fittings and equipment	8	<b>90,785</b>	73,928	<b>90,785</b>	73,928
		<b>1,410,736</b>	923,574	<b>1,410,736</b>	923,574
<b>Investments</b>					
Investments in subsidiary	9	<b>2</b>	2	-	-
		<b>1,410,738</b>	923,576	<b>1,410,736</b>	923,574
<b>Current assets</b>					
Debtors	10	<b>164,578</b>	152,595	<b>103,255</b>	132,278
Stock		-	-	<b>18,461</b>	10,667
Bank and cash balances		<b>932,585</b>	1,055,370	<b>980,769</b>	1,081,165
		<b>1,097,163</b>	1,207,965	<b>1,102,485</b>	1,224,110
<b>Creditors: amounts falling due within one year</b>	11	<b>(320,684)</b>	(167,871)	<b>(332,246)</b>	(184,014)
<b>Net current assets</b>		<b>776,479</b>	1,040,094	<b>770,239</b>	1,040,096
<b>Total assets less current liabilities</b>		<b>2,187,217</b>	1,963,670	<b>2,180,975</b>	1,963,670
<b>Creditors: amounts falling due after one year</b>	12	<b>(215,909)</b>	231,449	<b>215,909</b>	231,449
<b>Total assets less liabilities</b>		<b>1,971,308</b>	1,732,221	<b>1,965,066</b>	1,732,221

**JULIAN HOUSE  
FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2013**

		<b>Society</b>		<b>Group</b>	
		<b>Year ended 31 March 2013 £</b>	Year ended 31 March 2012 £	<b>Year ended 31 March 2013 £</b>	Year ended 31 March 2012 £
<b>Capital and Reserves</b>	Note				
Share Capital	13	<b>13</b>	12	<b>13</b>	12
Capital Reserves - Unrestricted	14	<b>894,586</b>	680,454	<b>894,586</b>	680,454
Restricted Capital Reserve	15	<b>294,208</b>	-	<b>294,208</b>	-
Restricted Revenue Reserve	16	-	-	-	-
Unrestricted - Designated	17	<b>297,810</b>	867,381	<b>297,810</b>	867,381
Unrestricted - Revenue Reserves	17	<b>484,691</b>	184,374	<b>478,449</b>	184,374
		<b>1,971,308</b>	1,732,221	<b>1,965,066</b>	1,732,221

These financial statements were approved by the Board of Management at its meeting on 11/09/13.

Chair

Secretary

Board member

The accompanying accounting policies and notes form an integral part of these financial statements.

## **1. PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies is set out below.

### **Basic of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom financial reporting standards, the Statement of Recommended Practice: Accounting by Registered Social Landlords 2010 and with the Accounting Direction for Private Registered Providers of Social Housing 2012

The group financial statements consolidate the results of the Society and Julian House Trading Limited. As a consolidated income and expenditure account is published, a separate income and expenditure account for the parent entity is omitted from the group financial statements.

### **Turnover**

Income comprises donations and grants received by the society together with income from fund-raising and trading subsidiary, exclusive of Value Added Tax where applicable. Donations and fund-raising income are recognised on a received basis. Grants and income from trading are recognised on a receivable basis.

### **Voluntary help and gifts in kind**

No value has been put on the help received from Julian House's many volunteers during the year. Individual gifts in kind of significant value are valued at estimated cost to the donor at the time of the gift and included in the Income and Expenditure Account; however there are numerous small gifts that cannot be quantified.

### **Administration costs**

Administration costs relating to provision of services have been allocated to the provision of services.

### **Pension costs**

The cost of providing retirement pensions and related benefits is charged against revenue over the periods benefiting from the employee's services.

### **Stock accounting policy**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

### **Freehold and leasehold properties**

The net cost of properties, after deduction capital grants received, is written off on a straight line basis over the expected economic useful lives of the assets, at the following rates:

Freehold property	Over 50 years
Initial costs of leasehold property	Over 25 years
Major refurbishment of leasehold property	Over remaining life of lease
Subsequent improvements to freehold/leasehold property	Over 10 years

### **Other fixed assets and depreciation**

Other tangible fixed assets are stated at cost less accumulated depreciation. Only items valued at more the £1,000 are capitalised. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Fixtures and fittings	20% straight line
Office equipment and machinery	20% straight line

### **Operating leases commitments**

Rentals under operating leases are charged to the income and expenditure account on a straight line basis over the lease terms. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

## **FUND ACCOUNTING**

### **Capital Reserves**

Where Julian House has received grants or donations to specifically finance capital expenditure on properties, fixtures, fittings and office equipment the amount of the grant is transferred to specific Restricted Capital Reserve.

Once the reserve has been spent on purchasing an asset the Capital Reserve is written down at the same rate as the asset is depreciated.

Where other Society funds are used to purchase Fixed Assets, an equivalent value is transferred into Unrestricted Capital reserves, and written down at the same rate as the asset is depreciated.

**Other Reserves**

***Restricted reserves***

Where Julian House has received grants or donations specifically to finance revenue expenditure, the amount of the grant is transferred to a specific restricted Reserve.

***Unrestricted designated reserves***

Unrestricted designated reserves are reserves designated by the Board for specific purposes.

***Unrestricted revenue reserves***

Unrestricted funds are other incoming resources received or generated for expenditure on the general objectives of Julian House.

Working capital is retained in bank accounts.

**Taxation**

As an exempt charity, Julian House is exempt from income tax under section 505 Income and Corporation Taxes Act 1998. No liability to corporation tax arose in 2013 or in 2012.

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**2. NOTES TO THE FINANCIAL STATEMENTS**

**Note 2a**

**PARTICULARS OF TURNOVER AND OPERATING COSTS**

	2013			2012		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
<b>Social Housing Lettings (note 2b)</b>	673,895	737,259	(63,364)	604,407	698,974	(94,567)
<b>Other Social Housing Activities</b>						
Supporting People	357,496	454,171	(96,675)	378,323	414,963	(36,640)
Homeless Link Funding	79,961	83,905	(3,944)	-	-	-
Other	40,416	130,651	(90,235)	125,201	178,662	(53,461)
<b>Non-Social Housing Activities</b>						
Fundraising	329,386	133,332	196,054	313,136	113,012	200,124
Capital Appeal	301,518	-	301,518	-	-	-
Retail	259,362	173,289	86,073	196,036	159,481	36,555
Management Charges	6,972	6,972	-	9,784	9,784	-
Julian House Trading	117,779	113,396	4,383	93,568	104,194	(10,626)
Cost of restructure	-	33,640	(33,640)	-	-	-
Other	-	93,587	(93,587)	13,130	47,140	(34,010)
	<b>2,166,785</b>	<b>1,960,202</b>	<b>206,583</b>	<b>1,733,585</b>	<b>1,726,210</b>	<b>7,375</b>

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

---

**Note 2b**

**PARTICULARS OF INCOME AND EXPENDITURE ON LETTINGS**

	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
Income from social housing		
Rent Receivable net of identifiable service charges	<b>711,406</b>	565,397
Service charges receivable	<b>59,762</b>	103,507
Gross Rental Income	<b>771,168</b>	668,904
Less: Rent losses from voids	<b>(30,314)</b>	(64,497)
voids from Hostel Refurbishment	<b>(66,959)</b>	
TURNOVER FROM SOCIAL HOUSING LETTINGS	<u><b>673,895</b></u>	<u>604,407</u>
Expenditure on social housing lettings		
Rent	<b>198,590</b>	152,505
Management	<b>153,091</b>	188,037
Services	<b>255,402</b>	174,690
Routine Maintenance	<b>26,780</b>	82,383
Bad Debts	<b>15,221</b>	19,577
Depreciation of Housing Properties	<b>43,184</b>	42,070
Other Costs	<b>44,991</b>	39,712
Operating Costs on Social Housing Lettings	<b>737,259</b>	698,974
Operating (Loss) on Social Housing Lettings	<u><b>(63,364)</b></u>	<u>(94,567)</u>
Number of Units	<b>74</b>	65
The average assured weekly rent was:	<b>192.53</b>	197.90

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**3. Operating surplus/deficit on activities**

	Notes	Society		Group	
		Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
The surplus/deficit on activities is stated after charging:					
Depreciation:					
Freehold property	7	<b>34,011</b>	21,024	<b>34,011</b>	21,024
Leasehold property	7	<b>14,787</b>	6,002	<b>14,787</b>	6,002
Fixtures, fittings and equipment	8	<b>36,196</b>	21,662	<b>36,196</b>	21,662
Auditors remuneration: for audit services		<b>7,200</b>	6,000	<b>7,200</b>	6,000

**4. Employment**

The average number of full-time-equivalent persons employed by Julian House during the year was 43 (2012 40).

	Society		Group	
	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £	Year ended 31-Mar 2013 £	Year ended 31-Mar 2012 £
Staff costs during the year were:				
Wages and salaries	<b>986,288</b>	902,902	<b>1,036,187</b>	902,902
Social security costs	<b>80,629</b>	93,891	<b>82,768</b>	93,891
Pension costs	<b>19,522</b>	22,904	<b>19,522</b>	22,904
	<b>1,086,439</b>	1,019,697	<b>1,138,477</b>	1,019,697

**5. Chief Executive's and Directors emoluments and interest**

*Non-executive directors (elected members of the Board of Management)*

In accordance with Board policy non-executive directors did not receive any emoluments (2012 £nil). No expenses were paid to non-executive directors (2012 £ nil).

*Chief Executive*

The Chief Executive's remuneration was £53,000 (2012 £60,082) including pension contributions of £3,000 (2012 £4,144). The Chief Executive is a member of the Social Housing Pension Scheme administered by The Pensions Trust.

The additional liable pension contribution for a previous director at 31 March 2013 is £4,476.

**6. Interest receivable and similar income**

	<b>Society</b>		<b>Group</b>	
	<b>Year ended</b>	Year ended	<b>Year ended</b>	Year ended
	<b>31-Mar</b>	31-Mar	<b>31-Mar</b>	31-Mar
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>£</b>	£	<b>£</b>	£
Interest received on cash balances	<b>8,817</b>	7,202	<b>8,817</b>	7,882
	<b>8,817</b>	7,202	<b>8,817</b>	7,882

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**7. Tangible fixed assets**

**Freehold and leasehold properties**

Julian House owns the freehold to the Head Office in New King Street and two properties in Corn Street (9 bed residence). Julian House leases the two shops and several accommodation projects.

		<b>New King Street</b>	<b>Social Housing</b>		<b>Total</b>
<b>a. The Society</b>		Freehold property £	Freehold property £	Leasehold property £	£
Cost	At the beginning of the year	275,264	774,776	370,263	<b>1,420,303</b>
	Additions during the year	5,506	26,537	487,060	<b>519,103</b>
	At the end of the year	<b>280,770</b>	<b>801,313</b>	<b>857,323</b>	<b>1,939,406</b>
Capital Grants	At the beginning of the year	-	-	222,400	<b>222,400</b>
	Additions during the year	-	-	-	-
	At the end of the year	-	-	222,400	<b>222,400</b>
Depreciation	At the beginning of the year	73,456	141,966	132,835	<b>348,257</b>
	Charge for the year Transfer from subsidiary	13,037	20,974	14,787	<b>48,798</b>
	At the end of the year	<b>86,493</b>	<b>162,940</b>	<b>147,622</b>	<b>397,055</b>
Net book value	At the beginning of the year	201,808	632,810	15,028	<b>647,838</b>
	At the end of the year	<b>194,277</b>	<b>638,373</b>	<b>487,301</b>	<b>1,319,951</b>

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

		<b>New King Street</b>	<b>Social Housing/JHT</b>		
<b>b. The Group</b>		Freehold property £	Freehold property £	Leasehold property £	<b>Total</b> £
Cost	At the beginning of the year	275,264	774,776	370,263	<b>1,420,303</b>
	Purchases prior year			54,267	<b>54,267</b>
	Additions during the year	5,506	26,537	503,500	<b>535,543</b>
	At the end of the year	<u>280,770</u>	<u>801,313</u>	<u>928,030</u>	<b>2,010,113</b>
Capital Grants	At the beginning of the year	-	-	222,400	<b>222,400</b>
	Grant Prior year			54,267	<b>54,267</b>
	Additions during the year	-	-	16,440	<b>16,440</b>
	At the end of the year	<u>-</u>	<u>-</u>	<u>293,107</u>	<b>293,107</b>
Depreciation	At the beginning of the year	73,456	141,966	132,835	<b>348,257</b>
	Charge for the year	13,037	20,974	14,787	<b>48,798</b>
	At the end of the year	<u>86,493</u>	<u>162,940</u>	<u>147,622</u>	<b>397,055</b>
Net book value	At the beginning of the year	<u>201,808</u>	<u>632,810</u>	<u>15,028</u>	<b>849,646</b>
	At the end of the year	<u>194,277</u>	<u>638,373</u>	<u>487,301</u>	<b>1,319,951</b>

In the prior year the assets and grant was netted off. For this year we have split them out to ensure consistency between the two sets of accounts. There is no impact on the total Net Book Value.

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**8. Fixtures, fittings and equipment**

<b>a. The Society</b>		Fixtures & fittings £	Office equipment £	<b>Total £</b>
Cost	At the beginning of the year	78,602	101,642	<b>180,244</b>
	Additions during the year	24,812	28,243	<b>53,055</b>
	At the end of the year	103,414	129,885	<b>233,299</b>
Depreciation	At the beginning of the year	41,289	65,029	<b>106,317</b>
	Charge for the year	12,821	23,375	<b>36,196</b>
	At the end of the year	54,110	88,404	<b>142,514</b>
Net book value	At the beginning of the year	37,313	36,613	<b>73,927</b>
	At the end of the year	49,305	41,481	<b>90,785</b>
<b>b. The Group</b>		Fixtures & fittings £	Office equipment £	<b>Total £</b>
Cost	At the beginning of the year	78,602	101,642	<b>180,244</b>
	Purchases prior year	9,889	-	<b>9,889</b>
	Additions during the year	24,812	28,243	<b>53,055</b>
	At the end of the year	113,303	129,885	<b>243,188</b>
Capital Grants	At the beginning of the year			
	Grant Prior year	9,889	-	<b>9,889</b>
		9,889	-	<b>9,889</b>
Depreciation	At the beginning of the year	41,289	65,029	<b>106,317</b>
	Charge for the year	12,821	23,375	<b>36,196</b>
	At the end of the year	54,110	88,404	<b>142,514</b>
Net book value	At the beginning of the year	37,313	36,613	<b>73,927</b>
	At the end of the year	49,305	41,481	<b>90,785</b>

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**9. Investment in Subsidiary - Julian House Trading Ltd**

Julian House owns 100% of the share capital of Julian House Trading Ltd.

Julian House Trading Ltd is a private limited company, incorporated in England, trading as Bath Bike Workshop, a social enterprise selling refurbished bicycles. Julian House Trading Ltd's profit will be set against the previous year's loss.

The company's financial statements for the year ended 31 March 2013 show the following:

	<b>Year ended March 2013 £</b>	Year ended March 2012 £
Turnover	<b>117,779</b>	93,569
Costs of sales	<b>(27,668)</b>	(19,151)
Other Operating costs	<b>(78,757)</b>	(75,935)
	<b>11,354</b>	(1,518)
Management Charges made by Julian House	<b>(6,972)</b>	(9,784)
Interest earned	-	676
	<b>4,382</b>	(10,626)

**10. Debtors amounts falling due within one year**

	<b>Society</b>		<b>Group</b>	
	<b>Year ended 31 Mar 2013 £</b>	Year ended 31 Mar 2012 £	<b>Year ended 31 Mar 2013 £</b>	Year ended 31 Mar 2012 £
Amounts due from subsidiary	<b>64,342</b>	40,187	-	-
Arrears of Housing Benefit	<b>34,733</b>	52,195	<b>34,733</b>	52,195
VAT	-	-	-	12,047
Accrued Building Society interest	<b>825</b>	822	<b>825</b>	822
Other debtors and prepayments	<b>64,678</b>	59,391	<b>67,697</b>	67,214
	<b>164,578</b>	152,595	<b>103,255</b>	132,278

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**11. Creditors amounts falling due within one year**

	<b>Society</b>		<b>Group</b>	
	<b>Year ended 31 Mar 2013</b>	<b>Year ended 31 Mar 2012</b>	<b>Year ended 31 Mar 2013</b>	<b>Year ended 31 Mar 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deferred income	<b>76,374</b>	60,827	<b>76,374</b>	72,871
Other Taxes and Social Security Costs	<b>24,333</b>	32,671	<b>24,333</b>	32,671
VAT	-	-	<b>1,106</b>	-
Other creditors and accruals	<b>206,413</b>	62,703	<b>216,869</b>	66,802
Mortgage account	<b>13,564</b>	11,670	<b>13,564</b>	11,670
	<b>320,684</b>	167,871	<b>332,246</b>	184,014

**12. Creditors amounts falling due after one year**

	<b>Society</b>		<b>Group</b>	
	<b>Year ended 31 Mar 2013</b>	<b>Year ended 31 Mar 2012</b>	<b>Year ended 31 Mar 2013</b>	<b>Year ended 31 Mar 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Mortgage account	<b>215,909</b>	231,449	<b>215,909</b>	231,449

Julian House took out this mortgage in 2007 with the Bank of Scotland to facilitate the purchase of the Corn Street properties, which form the security for the mortgage. Interest on the mortgage is charged at 1.3% above bank base rate.

	<b>£</b>
Amount repayable between 1 and 2 years	<b>13,564</b>
Amount repayable between 2 and 5 years	<b>35,009</b>
Amount repayable after 5 years	<b>167,336</b>

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**13. Share capital**

Allotted, issued and fully paid: 13 ordinary shares of £1 each (2012 £12)

Shares in Julian House are neither redeemable nor transferable, carry no right to interest, dividend or bonus, and do not entitle the owner to participate in the company's assets other than to the extent of the nominal value. Each member holds one share only in Julian House.

**14. Capital Reserve Unrestricted**

	Freehold £	Leasehold £	Fixtures & Fittings £	Office Equipment £	<b>Total</b> £
Balances brought forward	588,498	18,029	37,314	36,613	<b>680,454</b>
Transfer to Reserves	40,183	185,542	24,812	28,243	<b>278,780</b>
Transfer from Reserves	(20,974)	(7,477)	(12,821)	(23,376)	<b>(64,648)</b>
	19,209	178,065	11,991	4,867	<b>214,132</b>
Balances carried forward	<b>607,707</b>	<b>196,094</b>	<b>49,305</b>	<b>41,480</b>	<b>894,586</b>

**15. Capital Reserves Restricted**

	Freehold £	Leasehold £	Fixtures & Fittings £	Office Equipment £	<b>Total</b> £
Balances brought forward					
Transfer to Reserves	-	301,518	-	-	<b>301,518</b>
Transfer from Reserves	-	(7,310)	-	-	<b>(7,310)</b>
	-	294,208	-	-	<b>294,208</b>
Balances carried forward	-	<b>294,208</b>	-	-	<b>294,208</b>

Capital Reserves represent Society funds used to purchase Fixed Assets. Depreciation charged against these Fixed Assets reduces the relevant Capital Reserve, so that the net book value of the asset is fully matched by Capital Reserves.

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

---

**16. Restricted Revenue Reserve**

	Homeless Link Fund £	Supporting People Grant £	<b>Total £</b>
Income	79,961	357,496	<b>437,457</b>
Expenditure	<u>(79,961)</u>	<u>(357,496)</u>	<b><u>(437,457)</u></b>
	<u>-</u>	<u>-</u>	<u>-</u>

**a. Homeless Link Fund**

This grant is provided by Homeless Link and is restricted to be used to develop an outreach team and provide support to rough sleepers, to enable their use of crisis accommodation, whilst enabling them to make positive lifestyle changes.

Not the entire grant was spent during the year, so some has been deferred to use next year. Julian House actually received £95,011 in the year ending 31 March 2013 but, based on the terms of the grant £60,608 has been treated as deferred income in note 11.

**b. Supporting People Grant**

The Supporting People grant is restricted to be used for specific purposes as per a contract and KPIs. This grant is in place to enable Julian House to support our various projects as shown in the Board of Management Report. Around 14 days of this payment is deferred as shown in deferred income note 11. This is due to the payment schedule where payment is received mid month.

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**17. Other Free Reserves**

	<u>Revenue</u>	<u>Designated Reserves</u>			<b>Total</b>
		Premises Sinking Fund	Refurbishment fund	New Projects Fund	
	£	£	£	£	£
Balances brought forward	184,374	66,481	260,000	540,900	<b>1,051,755</b>
Transfer to Reserves	601,834	15,720	-	-	<b>617,554</b>
Transfer from Reserves	(301,517)	-	(260,000)	(325,291)	<b>(886,808)</b>
	<u>300,317</u>	<u>15,720</u>	<u>(260,000)</u>	<u>(325,291)</u>	<u><b>(269,254)</b></u>
Balances carried forward	<u>484,691</u>	<u>82,201</u>	<u>-</u>	<u>215,609</u>	<u><b>782,501</b></u>

**The Revenue Reserve**

The Revenue Reserve is held to cover any possible financial risk for Julian House

**The Designated Reserves**

***Premises Sinking Fund***

Premises sinking fund is money put aside for major repair and maintenance anticipated over the next year. The reserve is the anticipated spend for the following year

***Refurbishment Fund***

A major refurbishment of the Night Shelter commenced in June 2012 and is now completed.

***New Projects Fund***

The New Projects Fund is being built up to allow Julian House to provide more services to homeless people in BathNES and the surrounding areas. Properties for purchase, lease or rent are currently being reviewed as part of our Strategy to move in to areas outside Bath. Funding has also been set aside to further develop our Women's Services.

**17. Capital Commitments**

Julian House does not have any capital commitments at 31 March 2013 (none at 31 March 2012)

**18. Contingent Liabilities**

Other than the Pension liabilities (described in note 22), there are no contingent liabilities at 31 March 2013 (none at 31 March 2012).

## **19. Operating Lease commitments**

	Land and buildings	
	2013	2012
EXPIRY DATE:	£	£
Within 1 year	<b>25,969</b>	28,437
Between 2 and 5 years	<b>140,944</b>	43,200
After more than 5 years	<b>80,500</b>	23,250

The value of commitment is the value of the rent payable during the shortest notice period that the society has to give and the ageing is based on when the lease term expires.

## **20. Tax on surplus on Ordinary Activities**

As an exempt charity, Julian House is exempt from income tax under section 505 Income and Corporation Taxes Act 1998. No liability to corporation tax arose in 2013 or in 2012.

## **21. Transactions with directors (non-executive Board members) and other related parties**

A Board member, Jonathan O'Shea, is Chief Executive of St John's Hospital which is the owner of one of the properties that Julian House leases. This lease is run at arms length and within normal commercial terms.

There were no other transactions with related parties during the year.

## **22. Pension Obligations**

A full description of Julian House's pension obligation can be found in Note a. Note b details the potential contingent liability in respect of both schemes.

Some employees contribute to other pension funds. In total the pension charge of £19,522 (2012 £22,904) represents contribution payable to the funds; there was £4,875 outstanding at the year end (2012 £2,665)

### **a. Pension disclosure**

#### ***Pension Trust***

Julian House participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

---

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

Julian House paid contributions at the rate of up to 6% during the accounting period. Members paid contributions at the rate of up to 6% during the accounting period.

As at the balance sheet date there were one active members of the Plan employed by Julian House. Julian House continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

---

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	<b>% p.a.</b>
Rate of return pre retirement	4.9
Rate of return post retirement:	
Active/Deferred Pensioners	4.2
	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities

(relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

- Owing to this situation, we have included 2 figures/calculations, namely:
- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

### ***Social Housing Pension Scheme***

Julian House participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

**JULIAN HOUSE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

---

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

**b. Potential employer debt is treated as a contingent liability**

The amount of debt can be volatile over time as described above, for the purpose of the accounts the September valuation has been increased by 3% as suggested in the annual update from the Pension Trust. The below is therefore an approximation of the debt on withdrawal as at 31 March 2013.

***Pension Trust***

Julian House has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2012. As of this date the estimated employer debt for 31 March 2013 is £12,163 (30 September 2012 £11,810) this amount is not due, but would become due if Julian House were to withdraw from the scheme.

***Social Housing Pension Scheme***

Julian House has been notified by Social Housing Pension Scheme of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2012. As of this date the estimated employer debt for 31 March 2013 is £332,809 (30 September 2012 £323,116) this amount is not due, but would become due if Julian House were to withdraw from the scheme.