

**THE AGED CHRISTIAN FRIEND  
SOCIETY OF SCOTLAND**

**FINANCIAL STATEMENTS**

**For the year ended 31 December 2006**

*Statutory*

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**THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND**  
**FINANCIAL STATEMENTS**

**For the year ended 31 December 2006**

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# **THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND**

## **DIRECTORS' ANNUAL REPORT For the year ended 31 December 2006**

### **Reference and Administration Information**

<b>Company Registration No.</b>	SC238297
<b>Scottish Charity No.</b>	SC016247
<b>Registered Office, Solicitors and Treasurers</b>	Brodie's LLP 15 Atholl Crescent EDINBURGH EH3 8HA
<b>Directors:</b>	Mr Michael D Pentland, CA, Chairman Mrs Mary S N Dale, Vice Chairman Mr Stuart Bridges Mrs Merle M Copland Mr Peter Graham, FRICS Mr Peter James Hastie (appointed 8 February 2006) Rev Stephen C Parsons Sheriff W Douglas Small Mr Peter J D Smith, MA FFA Rev Dr George J Whyte, BSc BD Mrs Agnes Wright (resigned 14 June 2006)
<b>Secretaries:</b>	Brodie's Secretarial Services Limited 15 Atholl Crescent EDINBURGH EH3 8HA
<b>Bankers.</b>	The Royal Bank of Scotland plc 36 St Andrew Square EDINBURGH EH2 2YB
<b>Auditors</b>	Scott Moncrieff Chartered Accountants 17 Melville Street EDINBURGH EH3 7PH
<b>Investment Advisors:</b>	Gerrard Ltd ("Barclays Wealth") 12 Melville Crescent EDINBURGH EH3 7LU

# **THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND**

## **DIRECTORS' ANNUAL REPORT (cont'd)**

**For the year ended 31 December 2006**

### **Structure, Governance and Management**

#### **Incorporation of the Society**

The company 'The Aged Christian Friend Society of Scotland', founded as a Friendly Society on 20 December 1889 was incorporated and registered on 17 October 2002 as a Private Company Limited by Guarantee (Registration No SC238297). On 1 January 2003 all the assets and liabilities of the original Friendly Society were transferred to the new company (hereinafter referred to as "the Society"). The Society's governing documents are the Memorandum and Articles of Association.

#### **Directors meetings and appointment**

New directors are appointed by the existing directors, and are briefed on the Society's aims, objectives, grant making policy and purposes.

At the bi monthly directors' meeting, the directors agree the broad strategy and areas of activity for the Society, including consideration of grant making, investment, reserves and risk management policies and performance. Reports are received from the "Care Director" (not a formal director) of the Cottage Homes regarding the well being of the current residents, and from the "Property Manager" regarding the fabric of the buildings.

The AGM is normally held in June. Sheriff Douglas Small, Mrs Merle M Copland and Peter Graham retired by rotation, and being eligible are offered themselves for re election. All were re elected.

There is also a Finance Committee which again reports to the Board of Directors and considers all financial, including investment, matters.

In accordance with the recent amendment to the Companies Act, the Society confirms that it has a directors and officers indemnity insurance in place.

#### **Risk policy**

The directors have assessed the risks to which the Society is exposed, in particular those related to the operations and future of the Society, and are satisfied that systems are in place to mitigate exposure to major risks. The directors consider variability of investment returns as one of the major risks, and therefore the Society uses the services of Barclays Wealth as investment advisers. The policy is to look for a balance of income and capital growth with a medium risk profile and medium priority for income generation.

### **Objectives and Activities**

The Society's objects are of a charitable nature beneficial to the community in relieving the needs of the elderly by supporting men and women who are resident in Scotland and are 65 years of age or over through the provision of sheltered accommodation and other facilities for the care of, and the payment of annual pensions, to such individuals. The Society provides a small number of pensions in both Edinburgh and Glasgow, but its principal activity is the provision of sheltered housing at the Colinton Cottage Homes, Colinton, Edinburgh. The day to day management of Cottage Homes is carried out by the "Care Director" who reports to the Board of Directors.

#### **Grant making policy**

Grants are given in the form of pensions. These are distributed quarterly or half yearly. Applications for pensions are made through the local church minister or other appropriate sponsor, usually a person of high standing in the community.

Pensions continued to be paid at the rate of £220 per annum. There were 9 (2005: 10) pensions totalling £1,650 (2005: £2,035).

# **THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND**

## **DIRECTORS' ANNUAL REPORT (cont'd)**

**For the year ended 31 December 2006**

### **Achievements and Performance**

The Society has achieved a surplus of £27,743 for the year (2005 · £23,418), as shown in the Income and Expenditure account, after accounting for a loss on the disposal of quoted investments of £2,802 (2005 gain £11,080) and donations and legacies received of £1,520 (2005 · £4,391)

The market value of the investments at the year end was £1,392,772 (2005 · £1,245,342) including approximately £6,300 of new investments. Taking this into account, the market value increased by 11.33% over the year. This is satisfactory in the light of the movement of the FT all Shares Index (up 14.71 %) over the year. The investments produced an overall estimated income yield of 5.19%, which is higher than expected due to 2 companies issuing larger than usual dividends. Taking this into consideration the directors feel the investments produce sufficient income without prejudicing the ability of the portfolio to benefit from capital appreciation.

As in past years the general maintenance programme for the Colinton Cottage Homes has continued, together with general upgrading of cottages whenever possible. Most of the surplus is utilised for these purposes.

The Colinton Cottage Homes were revalued at £4,200,000 as at 31 December 2003.

### **Financial Review**

#### **Reserves Policy**

It is the policy of the Society to maintain unrestricted funds at a level sufficient to cover management, administration and support costs.

The Society has sufficient liquid funds to allow it to meet its contractual obligations as well as its ongoing activities.

#### **Auditors**

The directors will place a resolution before the Annual General Meeting to re-appoint Scott Moncrieff CA as auditors for the ensuing year.

#### **Share Capital**

The Society is a private company limited by Guarantee and is without share capital.

### **Future Plans**

The Society plans to continue to provide sheltered housing and pensions in line with its objectives. There is an ongoing plan to continue to upgrade and maintain the houses to the existing high standard.

### **Disclosure of information to auditors**

As far as each of the directors at the time the report is approved are aware

there is no relevant information of which the company's auditors are unaware and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information.

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the surplus or deficit for the Society for that period. In preparing those financial statements, the directors are required to

- . select suitable accounting policies and then apply them consistently,
- . make judgements and estimates that are reasonable and prudent,
- . prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the financial statements comply with the legislation. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Approved by the board on 6 June 2007  
and signed on behalf of the board by



M D Pentland  
Chairman

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

For the year ended 31 December 2006

We have audited the financial statements of The Aged Christian Friend Society of Scotland for the year ended 31 December 2006 which are set out on pages 6 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Society's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Society has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### Basis of audit opinion

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

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

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its surplus for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

17 Melville Street  
EDINBURGH  
EH3 7PH

*Scott Moncrieff*  
Scott Moncrieff  
Registered Auditors  
Chartered Accountants

*6 June*

2007

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2006

	Note	2006 £	2005 £
<b>Income</b>			
Legacies			3,371
Donations		1,520	1,020
Rents from land and buildings		141,793	146,499
Interest and dividends		77,400	47,321
Realised gains on investments			11,080
		<u>220,713</u>	<u>209,291</u>
<b>Expenditure</b>			
Realised loss on investments		2,802	
Investment management costs		415	408
Pensions	3	1,650	2,035
Cottage Homes costs	4	129,962	133,021
Management and administration	5	56,349	48,764
Auditor's remuneration	6	1,792	1,645
		<u>192,970</u>	<u>185,873</u>
<b>Surplus for the year</b>		<u><u>27,743</u></u>	<u><u>23,418</u></u>

All the results of the Society relate to continuing activities

The notes on pages 9 to 14 form part of these financial accounts



# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2006

	Note	2006 £	Reclassified 2005 £
<b>Incoming Resources</b>			
Legacies			3,371
Donations		1,520	1,020
Rents		141,793	146,499
Investment income		77,400	47,321
<b>Total Incoming Resources</b>		<u>220,713</u>	<u>198,211</u>
<b>Resources Expended</b>			
Cost of Generating Funds			
Investment management costs		415	408
Charitable Activities			
Pensions	3	1,650	2,035
Cottage Homes costs	4	129,962	133,021
Management and administration of the charity	5	56,349	48,764
		<u>188,376</u>	<u>184,228</u>
Governance Costs	6	1,792	1,645
<b>Total Resources Expended</b>		<u>190,168</u>	<u>185,873</u>
<b>Net Incoming Resources for the year</b>		30,545	12,338
<b>Other Recognised Gains / (Losses)</b>			
Gains/(losses) on investment assets			
Realised		(2,802)	11,080
Unrealised	9	143,863	163,030
<b>Net Movement in Funds</b>		<u>171,606</u>	<u>186,448</u>
Fund balances brought forward at 1 January 2006		5,578,713	5,392,265
<b>Fund Balances carried forward at 31 December 2006</b>		<u><u>5,750,319</u></u>	<u><u>5,578,713</u></u>

The notes on pages 9 to 14 form part of these financial statements

Notes All funds of the Society are unrestricted

All the results of the Society relate to continuing activities

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## BALANCE SHEET As at 31 December 2006

		2006		2005	
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Heritable property	8		4,200,000		4,200,000
Other fixed assets	8		14,662		11,232
			<u>4,214,662</u>		<u>4,211,232</u>
<b>INVESTMENTS</b>					
Investments per valuation	9		1,392,772		1,245,342
<b>CURRENT ASSETS</b>					
Cash at bank		151,196		142,551	
Cash in hand		255		265	
Sundry debtors	10	14,005		2,693	
		<u>165,456</u>		<u>145,509</u>	
<b>CURRENT LIABILITIES</b>					
Amounts falling due within one year	11	22,571		23,370	
<b>NET CURRENT ASSETS</b>			142,885		122,139
			<u>5,750,319</u>		<u>5,578,713</u>
<b>REPRESENTED BY:</b>					
<b>Funds</b>					
Unrestricted funds			<u>5,750,319</u>		<u>5,578,713</u>

The financial statements were authorised for issue by the Board on 6 June 2007  
and signed on behalf of the board by



M D Pentland  
Chairman

The notes on pages 9 to 14 form part of these financial accounts

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

### 1 Accounting Policies

#### a) Basis of Accounting

The financial statements have been prepared under the historic cost convention as modified by the revaluation of fixed assets and in accordance with applicable accounting standards in the United Kingdom, Statement of Recommended Practice 2005 "Accounting and Reporting by Charities" and the Companies Act 1985. The 2005 figures have been reclassified to aid comparability.

The Society has taken advantage of the exemption provided by Financial Reporting Standard 1 and has not prepared a cash flow statement for the year.

#### b) Incoming Resources

Income from investments, rent, donations and legacies is credited to the income and expenditure account in the year in which it is receivable.

#### c) Resources Expended

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure. All expenditure is accounted for on an accruals basis.

Where possible, expenditure has been charged direct to cost of raising funds, charitable expenditure or governance costs. Where this is not possible the expenditure has been allocated on the basis of time spent by staff on each activity.

Cost of generating funds consists of investment management fees.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

#### d) The Society is not registered for VAT and accordingly expenditure includes VAT where appropriate

#### e) Fixed Assets and Depreciation

All fixed assets are initially recorded at cost.

The rates of depreciation are calculated so as to write off the cost less residual value of each asset evenly over its expected useful life as follows:

Plant & Equipment	15% Reducing balance
Furniture	15% Reducing balance

Depreciation is not provided on heritable properties. This treatment is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view.

#### f) Pension

The charitable society contributes to a defined benefit pension scheme. This scheme is a multi employer scheme. The charitable society is unable to identify its share of the scheme's assets and liabilities and thus, under FRS17, has accounted for the scheme as a defined contribution scheme.

Contributions to the scheme are charged to the Statement of Financial Activities in the year in which they become payable.

#### g) Investments

Investments within the accounts are stated at market value. All realised and unrealised gains on disposals are added to the Unrestricted Fund. The shares were acquired in accordance with the powers given to the directors in the Articles of Association and are all quoted on the UK Stock Exchange.

#### h) Heritable Property

Heritable properties are included in the balance sheet at their open market value, revalued once every five years.

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2006

### 2. Unrestricted Funds

The Fund consists of cottages providing sheltered housing for men and women, together with investments and bank deposits which provide for the upkeep and maintenance of the cottages and the payment of pensions and the general administration of the Society

### 3. Pensions

Pensions continued to be paid at the rate of £220 per annum. There were 9 (2005: 10) pensions totalling £1,650 (2005: £2,035)

### 4. Cottage Homes costs

	2006	2005
	£	£
Rates and Insurance	12,439	12,899
Telephone	1,006	737
Garden Upkeep	597	1,789
Staff Salaries	52,835	49,626
Other Staff Costs	4,962	5,093
Heat & Light	26,380	18,883
Property Upkeep and Repairs & Cleaning	28,665	40,874
Depreciation	2,586	1,983
Miscellaneous Expenses	491	1,137
	<u>129,961</u>	<u>133,021</u>

### 5. Management and administration costs

	2006	2005
	£	£
Secretaries' fees and expenses	51,364	44,394
Advertising, printing and stationery	3,153	2,760
Miscellaneous expenses	1,832	1,610
	<u>56,349</u>	<u>48,764</u>

### 6. Governance Costs

Audit fees	<u>1,792</u>	<u>1,645</u>
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### 7. Staff Numbers and Costs

The average number of employees during the year was 4 (2005: 4) and the total cost of their remuneration was £52,835 (2005: £49,626) as detailed below

	2006	2005
	£	£
Wages and salaries	45,820	43,270
Social security costs	2,322	2,039
Pension costs	4,693	4,317
	<u>52,835</u>	<u>49,626</u>

There were no employees with emoluments above £60,000

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2006

8. Fixed Assets	2006 £	2005 £
<b>Heritable Property</b>		
Valuation at 31/12/05 and 31/12/06	<u>4,200,000</u>	<u>4,200,000</u>
Book cost at 31/12/05 and 31/12/06	<u>2,459,995</u>	<u>2,459,995</u>

	Plant & Equipment	Furniture	Total
<b>Cost</b>			
Balances as at 31 December 2005	15,766	2,525	18,291
Additions during year	<u>5,360</u>	<u>656</u>	<u>6,016</u>
Balances as at 31 December 2006	<u>21,126</u>	<u>3,181</u>	<u>24,307</u>
<b>Depreciation</b>			
Balance as at 31 December 2005	6,084	975	7,059
Charge for year	<u>2,256</u>	<u>330</u>	<u>2,586</u>
As at 31 December 2006	<u>8,340</u>	<u>1,305</u>	<u>9,645</u>
<b>Net Book Value</b>			
As at 31 December 2006	<u>12,786</u>	<u>1,876</u>	<u>14,662</u>
As at 31 December 2005	<u>9,682</u>	<u>1,550</u>	<u>11,232</u>

9. Investments	Listed in the UK 2006 £	Listed in the UK 2005 £
Opening Market value	1,245,342	1,083,557
Add acquisitions at cost	<u>76,091</u>	<u>32,979</u>
Less disposals at opening market value (proceeds £69,722 loss £2,802)	<u>(72,524)</u>	<u>(34,224)</u>
Unrealised gain at 31 December 2006	<u>143,863</u>	<u>163,030</u>
Market value at 31 December 2006	<u>1,392,772</u>	<u>1,245,342</u>
Historical costs as at 31 December 2006	<u>479,854</u>	<u>424,692</u>

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2006

### 9 Investments cont'd

	2006	2005
The breakdown of the portfolio is as follows		
UK Quoted Investments		
Fixed and variable interest	95,658	100,948
Equities	1,212,612	1,068,548
Unit Trusts	84,502	75,846
	<u>1,392,772</u>	<u>1,245,342</u>

The following investments each comprise over 5% by value of the portfolio

12,000 Barclays plc ordinary 25p shares

6,000 JPM Fleming Mercantile International Trust plc ordinary 25p shares

5,475 Royal Bank of Scotland plc ordinary 25p shares

5,171 Royal Dutch Shell plc B Eur 0 07 shares

All investments are held primarily to provide an investment return for the charity

### 10 Debtors

	2006	2005
	£	£
Income tax recoverable	84	45
Prepayments and accrued interest	1,819	1,365
Other debtors	12,102	1,283
	<u>14,005</u>	<u>2,693</u>

### 11 Creditors

	2006	2005
	£	£
Accruals	1,645	1,498
Trade creditors	18,518	19,613
Social Security and other taxes	2,408	2,259
	<u>22,571</u>	<u>23,370</u>

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2006

### 12. Indemnity Insurance

Premiums were paid during the year which provide insurance cover for the Society as shown below

Public Liability	£1m
Professional Indemnity	£1m

### 13. Directors' Remuneration

The directors received no remuneration or reimbursement of expenses (2005 nil)

### 14. Revaluation of Fixed Assets

A revaluation of the sheltered housing at Colinton Cottage Homes was carried out by Mr Mark Atkinson, ARICS, as at 31 December 2003. Taking into account the fact that the properties are tenanted and the considerable modernisation works which have been carried out, as well as the substantial increase in residential values since his last valuation five years previously, Mr Atkinson valued the properties at £4,200,000.

### 15. Pension Commitments

The Aged Christian Friend Society of Scotland participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is a multi employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of the future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period The Aged Christian Friend Society of Scotland paid contributions at the rate of 12.2% for the period to 31 March 2005 and 14.0% thereafter. Member contributions were 6.0% for the period to 31 March 2005 and 7.0% thereafter.

As at the balance sheet date there were 2 active members of the Scheme employed by The Aged Christian Friend Society of Scotland. The Aged Christian Friend Society of Scotland continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable, similar to the accounting for a defined contribution scheme.

The last formal valuation of the Scheme was performed as at 30 September 2003 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £143 million. The valuation revealed a shortfall of assets compared to liabilities of £37 million.

# THE AGED CHRISTIAN FRIEND SOCIETY OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 December 2006

### Pension Commitments (cont'd)

#### Financial assumptions

The financial assumptions underlying the valuation as at 30 September 2003 were as follows

	% pa
Investment return pre retirement	7.8
Investment return post retirement	5.2
Rate of salary increases	4.0
Rate of pension increases	2.5
(for leaver's before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	2.5

#### Valuation results

The valuation revealed a shortfall of assets compared with the value of liabilities of £37 million (equivalent to a past service funding level of 80%)

The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries

Following consideration of the results of the actuarial valuation it was agreed that, with effect from 1 April 2005

- i The standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries
- ii Member contributions would be increase from 6.0% to 7.0% of pensionable salaries

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on going funding basis, by 30 September 2015

#### Contingent liability

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 Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout 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 Scheme. If the liabilities exceed assets there is a buy-out debt

#### Next valuation

The Aged Christian Friend Society of Scotland understands that the Scheme Actuary will calculate potential employer debt figures, as at 30 September 2006, for each employer participating in the SFHA Pension Scheme as part of the next actuarial valuation process

The results of the latest valuation should be available from the end of June 2006

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