

Turnstone Support Limited

Financial Statements

For the year ended

31 March 2009

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Board of Management Report

The Board of Management is pleased to present its report and the audited financial statements for the Society for the year ended 31 March 2009.

Principal Activities

The principal activity of Turnstone Support Limited is to provide support services for people with learning difficulties, the frail and the elderly in Berkshire, Buckinghamshire and Surrey.

Turnstone Support Limited is a subsidiary of Radian Group Limited, an organisation limited by Guarantee and a Registered Social Landlord.

Review of the Year

This has been a year of consolidation and change for Turnstone. A new Director, Madeline Drake, was recruited to replace Janice Campbell who left in May 2008. The organisation was restructured from three to two regions: Buckinghamshire and Berkshire. A New Business Manager was recruited towards the end of the year to enable Turnstone to take forward the many opportunities to develop new services.

Shaw Court a supported living service for 11 people with learning disabilities living in their own flats, opened in the summer 2008.

Turnover reduced slightly from £14,714 to £14,167. This was due to the loss of one contract in Windsor and Maidenhead. The loss was offset by incremental growth and increased service income and the fact that a service due to close stayed open. The surplus was reduced from over £900k to just over £600k.

Spend on agency staff remains high. However this year we are implementing a strategy to achieve full permanent recruitment and have commissioned Reed to work with us. We are also using Saturn, our integrated software system, to manage our own sessional staff more effectively. Despite the high agency spend our overall spending reduced by over 2%, reflecting savings made in the management structure.

Turnstone Support has maintained its quality level with over 75% of our services rated two star or above. We are committed to working within personalisation, the government's strategy to develop services centred on service users' needs. Our relationships with commissioning authorities are stronger than ever. We are also pursuing opportunities outside Berkshire and Buckinghamshire. Over the year the integrated software system, Saturn, was implemented throughout Berkshire and is to be extended throughout Buckinghamshire.

Future developments

Last year Turnstone Support approved a Growth Strategy which positioned the organisation to benefit from the numerous opportunities to grow our care and support services throughout the south. This year we appointed a New Business Manager to action the strategy. We are currently following down several successful bids and finalising new services in agreement with our local commissioners, which is expected to bring in, in excess of £1million of incremental business. We are also keen to respond to the government's personalisation agenda and to individual service users' requirements for individual contracts and invoicing.

Board of Management Report - continued

Going concern

In its consideration of going concern, the Board has reviewed the Society expected income and expenditure performance in terms of profitability and cash flow, together with an appraisal of the effects of its development programme. On the basis that these projections are based on prudent data and realistic assumptions, the Board believe that it is appropriate to prepare the Society's financial statements on a going concern basis.

The Society's budget and business plan, taking account of the current economic climate and expected trading conditions, show that Turnstone should be able to operate within its current facilities.

In determining that Turnstone is a going concern, the Board has considered the risks and uncertainties posed by current economic conditions and determined that they do not currently represent a significant risk to the Society.

After making enquiries, the Board has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

The Board of Management

The Board of Management is responsible for managing the affairs of the Society. Members are drawn from a wide background bringing together professional, commercial and local experience, with one carer member.

The Board of Management at 31 March 2009 was as follows:-

- Deep Sagar, Chair
- David Tassell, Vice Chair
- Sheila Hayes
- John Jarvis
- Sandra Meadows
- Karen Merrin
- Mark Quinn
- Jamie Sharpley
- Roger Webb
- Michael Woodmore

Internal Control

The Board acknowledges its ultimate responsibility for establishing and maintaining the whole system of internal controls that is appropriate to the various business environments in which it operates and for reviewing effectiveness of those controls. This applies to all companies and subsidiaries within Radian Group. These controls are designed to give reasonable assurance in respect of:

- The reliability of financial and operational information used within the Group or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposal.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the group's assets and interests.

Board of Management Report - continued

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls that are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed as incorporated in the Housing Corporation's "Circular 07/07 – Internal Controls Assurance".

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

- Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities. The process is co-ordinated through a regular reporting framework by the Group Audit Committee. The Executive Team regularly considers reports on significant risks facing the Group and the Director of Corporate Services reports to the Board any significant changes affecting key risks.

- Monitoring and corrective action

A process of control self-assessment along with regular management reporting on control issues (throughout the Group) provides assurance to successive levels of management and to the Board. This includes a formal procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. The Board has adopted the "Code of Governance Competence and Accountability 2004" and complies in all areas but one where we allow some Members to remain on Boards beyond three terms of three years. The Standing Orders set out the Group's policies with regard to the quality, integrity and ethics of its employees and Board Members. A framework of policies and procedures with which employees must comply support these. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. Annual employee appraisal procedures maintain standards of performance.

- Information and financial reporting systems

Forecasts and budgets are prepared which allow the Board and Management to monitor the key financial objectives and progress towards achieving financial plans set for the year and the medium term. Regular management accounts and key performance indicators are prepared, providing reliable and up-to-date financial and other information with significant variances investigated and reported as appropriate.

- New Business

All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, either through the Executive Appraisal Panel, the New Business Committee or the Board.

- Group Audit Committee

The Group Audit Committee reviews reports from Management, internal auditors and external auditors to provide reasonable assurance that the control procedures are in place and are being followed. This includes a regular review of the major risks facing the Group. The Group Audit Committee makes regular reports to the Board.

- Fraud

Radian is developing a Group approach to fraud prevention following recommendations from the internal auditors. A Group Anti-Fraud and Policy will be adopted covering prevention, detection and reporting of fraud and the recovery of assets. The Board, via the Group Audit Committee, has reviewed the fraud register. A Group Whistleblowing policy has been approved and adopted.

Board of Management Report - continued

The internal control framework and the risk management process are subject to regular review by Internal Auditors who are responsible for providing independent assurance to the Board via the Group Audit Committee. The Internal Auditors have confirmed that for the 12 months ended 31 March 2009 Radian has adequate and effective control and governance processes to manage the achievement of the Group's objectives. The Group Audit Committee considers control and risk at each of its meetings during the year.

The Board (as well as the Group Audit Committee and subsidiary Boards) has conducted its annual review of the effectiveness of the system of internal controls and has taken account of any changes needed to maintain the effectiveness of the risk management and controls process.

The Board confirms that a process of integrating the risk policies of the Group parent and its subsidiaries is at a sufficiently advanced stage for the Group's Internal Auditors to have given assurance to the Group Audit Committee and the Board.

Statement of Disclosure to Auditors

At the date of making this report, each of the Board members confirms the following:

- (a) So far as the Board members are aware, there is no relevant audit information of which the Society's auditors are unaware; and
- (b) They have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP.

A resolution to re-appoint Deloitte LLP as the Group's auditors will be proposed at the Annual General Meeting.

By order of the Board of Management

Statement of Board Members' responsibilities in respect of the Board Report and Financial Statements

The Board is responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Industrial and Provident Society law and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Society at the end of the year, and of the surplus or deficit of the Society for the year then ended. In preparing those financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable United Kingdom Accounting Standards.

The Board is 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 Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. They have a general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Board of Management's Report is prepared in accordance with the Statement of Recommended Practice 'Accounting by Registered Social Landlords 2008'.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Turnstone Support Limited

We have audited the financial statements of Turnstone Support Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet, and the related notes 1 to 16. 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 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 the Board and auditors

The responsibilities of the board for preparing the report and 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 responsibilities of the board.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom 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 Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

We also report to you if, in our opinion, the Board of Management's Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the association 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 other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the Board of Management's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 Board Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Independent Auditors' Report to the Members of Turnstone Support Limited (continued)

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 affairs of the society as at 31 March 2009 and of the society's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002; and
- the information given in the Board of Management's Report is consistent with the financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
Southampton, United Kingdom

Date:

Income and Expenditure Account

Year ended 31 March 2009

	Notes	2008/09 £'000	2007/08 £'000
Turnover	2	14,167	14,714
Operating costs	2	-13,616	-13,870
Operating Surplus	4	551	844
Interest receivable and similar income	3	104	82
Other finance (costs)/income	14	-6	5
Surplus on Ordinary Activities for the year		649	931

The Notes on pages 12 to 25 form part of these financial statements.

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

The movement on accumulated reserves is set out in Note 13 to the financial statements.

Statement of total recognised surpluses and deficits

	2008/09 £'000	2007/08 £'000
Reported surplus on ordinary activities	649	931
Actuarial (loss)/gain on pension schemes	-159	34
Total recognised surplus for the year	490	965

Balance sheet

at 31 March 2009

	Notes	2009 £'000	2008 £'000
Fixed Assets			
Tangible fixed assets	8	72	95
Total fixed assets		<hr/> 72	<hr/> 95
Current Assets			
Debtors	9	793	1,260
Investments	10	3,900	400
Cash at bank and in hand	10	145	2,377
		<hr/> 4,838	<hr/> 4,037
Creditors: Amounts falling due within one year	11	-1,575	-1,458
Net current assets		3,263	2,579
Total assets less current liabilities		3,335	2,674
Pension liability	14	-327	-156
		<hr/> 3,008	<hr/> 2,518
Capital & Reserves			
Called up share capital	12	-	-
Revenue reserve	13	3,008	2,518
		<hr/> 3,008	<hr/> 2,518

The Notes on pages 12 to 25 form part of these financial statements.

The financial statements on pages 10 to 25 were approved by the Board and authorised for issue on 8 July 2009. They were signed on its behalf by:

Board Member

Board Member

Secretary

Notes to the Financial Statements

Note 1 - Accounting Policies

Legal Status

The Society is registered under the Industrial & Provident Societies Act 1965.

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention. These financial statements have been prepared in accordance with the Industrial & Provident Societies Acts 1965 to 2002, and UK Generally Accepted Accounting Practice (“UKGAAP”).

The principal accounting policies are set out below and have been applied consistently during the year.

Under Financial Reporting Standard 1, Turnstone Support Limited is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Society in its own consolidated financial statements.

As Turnstone Support Limited is a wholly owned subsidiary of Radian Group Limited, it has taken advantage of the exemption contained in FRS8 and therefore, has not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Radian Group Limited, within which this Society is included, can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

Going concern

Turnstone’s Financial Statements have been prepared on a going concern basis as described on page 3 of the Board Report.

Turnover

Turnover represents income receivable from the provision of care and support services.

Taxation

The Inland Revenue confirmed on 14 March 1991 that Turnstone Support Limited is a charity within the definition of Section 506 of the Income & Corporation Taxes Act 1988 and is therefore not liable to taxation on income or capital gains applied to its charitable purposes.

Interest Payable

Interest payable is charged to the income and expenditure account in the year.

Pensions

Turnstone Support Limited participates in a variety of pension arrangements. The principal scheme is the industry wide, multi-employer Social Housing Pension Scheme (SHPS) which provides benefits based on final pensionable pay. To a lesser extent the Company participates in the NHS Pension Scheme which provides benefits on the same basis. The assets of both schemes are held separately from those of the Society. The Society is unable to identify its share of the underlying assets and liabilities of either scheme on a consistent and reasonable basis and therefore accounts for the schemes as if they were defined contribution schemes. As a result the amounts charged to the income and expenditure account represent the contributions payable to the schemes in respect of the accounting period.

The Society also participates in another defined benefit pension scheme, the Royal County of Berkshire Pension Fund. The assets of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Notes to the Financial Statements - continued

Note 1 - Accounting Policies - continued

Pensions - continued

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of total recognised surpluses and deficits, actuarial gains and losses.

Fixed Assets

Depreciation is charged on a straight line basis over the expected useful economic lives of the other fixed assets at the following rates:

- | | |
|--------------------------|---------------|
| • Building improvements | Term of lease |
| • Furniture and fittings | 5 years |
| • Computers | 3-5 years |

Leased Assets

Rentals payable under operating leases are charged to the income and expenditure account in the period to which they relate.

Where assets are financed by leasing arrangements that give rights approximating to ownership ('finance leases') they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term.

The corresponding leasing commitments are shown as obligations to the lessor and reported under creditors.

Finance lease payments are treated as consisting of capital and interest elements and the interest is charged to the income and expenditure account so as to represent a consistent rate of charge on the balance outstanding.

Investments

The Investments shown are cash on short term deposit. Turnstone does not invest in financial instruments.

Notes to the Financial Statements - continued

Note 2 - Particulars of turnover, cost of sales, operating costs and operating surplus

	2008/09			2007/08		
	Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Social Housing Activities						
Income						
Residents charges	314	-	314	437	-	437
Social Services	13,249	-	13,249	13,732	-	13,732
Health authorities	215	-	215	177	-	177
Other Income	389	-	389	368	-	368
Expenditure						
Direct operating costs:						
Direct services costs	-	-578	-578	-	-498	-498
Management costs	-	-875	-869	-	-835	-835
Rent and Property costs	-	-790	-790	-	-807	-807
Maintenance costs	-	-51	-51	-	-19	-19
Staff and administration costs:						
Staff costs (including agency costs)	-	-10,653	-10,653	-	-10,730	-10,730
Administration overheads	-	-669	-670	-	-981	-981
Operating Deficit	14,167	(13,616)	556	14,714	(13,870)	844

Notes to the Financial Statements - continued

Note 3 - Interest receivable and similar income

	2008/09 £'000	2007/08 £'000
Interest receivable from bank and building society deposits	104	82
	104	82

Note 4 - Surplus on ordinary activities before taxation

	2008/09 £'000	2007/08 £'000
Surplus on Ordinary Activities before Taxation is stated after charging		
Depreciation of tangible fixed assets	41	52
Operating lease rental - land and buildings	795	845
Operating lease rental - plant and equipment	239	164
Auditors' remuneration: in their capacity as auditors	10	10

Note 5 - Taxation

The Inland Revenue confirmed on 14 March 1991 that Turnstone Support is a charity within the definition of Section 506 of the Income & Corporation Taxes Act 1988 and is therefore not liable to taxation on income or capital gains applied to its charitable purposes.

Note 6 - Directors' Emoluments

The remuneration paid to the Directors and Executives of the Society (the Board of Management and the Executive Team) was:

The remuneration of the Chief Executive is disclosed in the financial statements of the ultimate parent undertaking, Radian Group Limited.

	2008/09 £'000	2007/08 £'000
The remuneration paid to the Director of Turnstone Support was:		
Emoluments (including employer's pension contributions and benefits in kind)	145	73
Emoluments (excluding pension contributions)	141	64

The Director is an ordinary member of the Group's pension scheme with the same conditions of membership applicable to all the Group's employees.

	2008/09 £'000	2007/08 £'000
Board members' emoluments	13,525	5,000

Notes to the financial Statements - continued

Note 7 - Staff costs

The average number of employees expressed in FTE (including the Chief Executive) during the period was:

	2008/09 No.	2007/08 No.
Care and support services	309	379
	<hr/> 309	<hr/> 379
	2008/09 £'000	2007/08 £'000
Staff Costs (for the above employees)		
Wages and salaries	7,496	7,833
Social security costs	610	606
Other pension costs	323	402
	<hr/> 8,429	<hr/> 8,841

Note 8 - Tangible Fixed Assets

	Building Improvements £'000	Fixtures & Fittings £'000	Computers £'000	Total £'000
Cost				
At 1 April 2008	364	353	375	1092
Additions	-	18	-	18
At 31 March 2009	364	371	375	1,110
Accumulated Depreciation				
At 1 April 2008	332	297	368	997
Charge for the year	9	28	4	41
At 31 March 2009	341	325	372	1,038
Net Book Values at 31 March 2009	<hr/> 23	<hr/> 46	<hr/> 3	<hr/> 72
Net Book Values at 31 March 2008	<hr/> 32	<hr/> 56	<hr/> 7	<hr/> 95

The improvements are to properties leased and managed by the Company, but owned by others.

Notes to the financial Statements - continued

Note 9 - Debtors

	2009 £'000	2008 £'000
Trade debtors	400	1,120
Prepayments	220	140
Amounts undertaken by group undertakings	129	-
Other Debtors	44	-
	793	1,260

All amounts are due within one year

Note 10 - Cash at bank and short term investments

	2009 £'000	2008 £'000
Short term and other non-listed investments	3,900	400
Cash at bank and in hand	145	2,377
	4,045	2,777

Note 11 - Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	330	86
Amounts owed to Group undertakings	514	270
Taxation and social security	167	235
Other creditors and accruals	564	475
Trust bank account creditor	-	392
	1,575	1,458

Notes to the financial Statements - continued

Note 12 - Non-equity share capital

Shares of £1 each, issued and fully paid

	2009 £	2008 £
Shares of £1 each Issued and fully paid at 1 April 2008	14	14
Shares in issue at 31 March 2009	14	14

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, or distributions on a winding up.

Note 13 - Reserves

	Revenue Reserve £'000
As at 1 April 2008	2,518
Surplus for the year	649
Actuarial loss on pension scheme	-159
As at 31 March 2009	3,008

Notes to the financial Statements - continued

Note 14 - Pensions

Pension obligations note - SHPS

Turnstone Support Limited participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme. The amount charged for 2008/09 was £329k with £410k being charged for 2007/08. There were no outstanding contributions at 31st March 2009

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average re-valued earnings with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefits structure at any one time. An open benefit structure is one which new entrants are able to join.

The Company has elected to operate final salary with a 1/60th accrual rate and a career average re-valued earnings with a 1/60th accrual rate benefit structure for active members as at 1 April 2007 and the career average re-valued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007.

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 determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007, the split of the total contribution rate between member and employee is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

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 Company paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age.

As at the balance sheet date, there were 73 active members of the Scheme employed by the Company. The Company 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.

Notes to the financial Statements - continued

Note 14 - Pensions - continued

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,278 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £283 million, equivalent to a past service funding level of 82%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate up-date on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,760 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £209 million, equivalent to a past service funding level of 89%. Annual funding updates of the SHPS scheme are carried out using approximate actuarial techniques, rather than member by member calculations and will, therefore, not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation, the following notes relate to the formal actuarial valuation as at 30 September 2008.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:-

	% per annum 2008/09
Valuation Discount Rates:	
Pre-retirement	7.8
Non-pensioner Post-retirement	6.2
Pensioner post-retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The comparative assumptions for the 30 September 2005 valuation were as follows:

	% per annum
- Investment return pre-retirement	7.2
- Investment return post-retirement	4.8
- Rate of salary increases to 30 September 2010	5.0
- Rate of salary increases from 1 October 2010	4.0
- Rate of pension increases	2.5
- Rate of price inflation	2.5

Note 14 – Pensions - continued

The valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2013 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males Assumed Life Expectancy In years at age 65	Females Assumed Life Expectancy In years at age 65
Non-pensioners	20.4	23.3
Pensioners	19.4	22.4

The long-term joint contribution rates required from employers and members to meeting the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.6
Final salary with a 1/70th accrual rate	15.3
Career average re-valued earnings with a 1/60th accrual rate	14.1

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.

Following consideration of the results of the actuarial valuation, it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

With effect from 1 April 2007, the employer and employee contribution rates for final salary with a 1/60th accrual rate scheme were 14.1% and 6.4% to 8.4% respectively.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the on-going future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

If the valuation assumptions are borne out in practice, this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The 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

Notes to the financial Statements - continued

inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

As a result of pension scheme legislation, 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 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 Scheme. If the liabilities exceed assets there is a buy-out debt.

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.

The Company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2008. As of this date the estimated employer debt for the Company was £3,541,000.

Pension Costs

The NHS Pension Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence, it is not possible for Turnstone Support Limited to identify its share of the underlying scheme liabilities. Therefore, the Scheme is accounted for as a defined contribution scheme and the cost of the Scheme is equal to the contributions payable to the Scheme for the accounting period.

Employers' pension costs contributions are charged to operating expenses as and when they become due, Employer contribution rates are reviewed every four years (previously five years) following a Scheme valuation carried out by the Government Actuary. On advice from the Actuary, the contribution may be varied from time to time to reflect changes in the Scheme's liabilities. At the last valuation on which contribution rates were based (31 March 2009) employer contribution rates at 14% of pensionable pay were unchanged. The next funding valuation will be in 2014.

The total employer contribution payable in 2008/09 was £138,718 (£194,390 for 2007/2008). There were no outstanding contributions at 31 March 2009. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

In addition, the Scheme is subject to a full valuation for FRS17 accounting purposes every four years. The last valuation on this basis took place as at 31 March 2008. Between valuations, the Government Actuary provides an up-date of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Business Services Authority pensions Division website at www.nhs.gov.uk. Copies can also be obtained from the H.M. Stationery Office.

The Scheme is a "final salary" Scheme. Annual pensions are normally based on 1/80th of the best of the last three years' pensionable pay for each year of service. A lump sum, normally equivalent to three years' pension, is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the 12 months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity.

The Scheme also provides for death benefits, with a death gratuity of twice final year pensionable pay for death in service and up to five times the annual pension for death after retirement payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement, the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

Except for where the retirement is due to ill health, additional pension liabilities arising from early retirements are met by the Scheme and re-charged to the employee's former employer. The full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the Authority commits itself to the retirement, regardless of the method of payment.

Royal County of Berkshire (RCB) Pension Fund

The RCB pension fund is a funded scheme. The latest formal valuation of the fund was at 31 March 2007 when the scheme's assets were valued at £1,473 million, and has been updated to 31 March 2009 using suitable approximate methods under FRS 17, by a qualified independent actuary. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. The valuation has been updated to 31 March 2008 for FRS17 purposes.

The main financial assumptions adopted as at 31 March 2009 were:

	2009	2008	2007	2006
Price increases per annum	3.0%	3.7%	3.2%	3.1%
Salary increases per annum	4.5%	5.2%	4.7%	4.6%
Pension increases per annum	3.0%	3.7%	3.2%	3.1%
Discount rate per annum	6.7%	6.6%	5.4%	4.9%

The fair values of each main class of assets held by the whole fund as at 31 March 2009 and the expected rates of return for the ensuing year are set out in the following table:

	Fair Value	Expected Return	Fair Value	Expected Return	Fair Value	Expected Return	Fair Value	Expected Return
	2009	2009	2008	2008	2007	2007	2006	2006
	£'000	%	£'000	%	£'000	%	£'000	%
Equities	609,743	62.2	976,732	7.9	1,062,863	7.8	1,006,990	7.4
Gilts	92,827	9.5	109,381	4.5	191,972	4.9	181,684	4.6
Other Bonds	142,915	14.6	111,553	6.6	-	-	-	-
Property	105,606	10.8	144,920	5.9	140,166	5.8	124,478	5.5
Cash	29,377	3	46,039	5	77,915	4.9	52,625	4.6
Total (Whole Fund)	980,468		1,388,625		1,472,916		1,365,777	

The proportions of total assets held (in respect of the Society's share of the fund) in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2009.

The Company's share of the net assets and liabilities of the Scheme is set out below :

	2009 £'000	2008 £'000
Share of assets in Royal County of Berks Pension Fund	626	873
Present value of scheme liabilities	-953	-1,029
Company share of deficit in the scheme	-327	-156
Amount charged to Operating Profit	2009 £'000	2008 £'000
Current Service Cost	21	22
Total Operating Charge	21	22
Amount charged/ (credited) to interest	2009 £'000	2008 £'000
Expected Return on Employer Assets	63	66
Interest on Pension Scheme Liabilities	-69	-61
Net Return	-6	5
Analysis of Amount Recognised in Statement of Total Recognised Surpluses and Deficits (STRSD)	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	-324	-137
Experience gains & losses arising on the scheme liabilities	-	3
Changes in financial assumptions underlying the present value of the scheme liabilities	165	168
Actuarial (loss)/gain in pension plan	-159	34

Note 14 - Pensions obligations note, RCB Pension Fund – continued

Movement in deficit during the year

	2009 £'000	2008 £'000	2007 £'000		
(Deficit) at beginning of the year	-156	-192	-273		
Current Service Cost	-21	-22	-29		
Previous Service Costs	-3	-	-		
Employer contributions	18	19	35		
Net return on assets	-6	5	-1		
Actuarial gains/(losses)	-159	34	76		
(Deficit) at end of year	-327	-156	-192		
History of Experience Gains & Losses	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Difference between the expected & actual return on assets	-324	-137	1	93	17
Value of assets	626	874	751	668	521
Percentage of assets	-51.8%	-15.70%	0.10%	13.80%	3.20%
Experience gains/(losses) on liabilities	-	3	1	-	-69
Present value of liabilities	953	1,029	943	941	744
Percentage of the present value of liabilities	-	-	0.10%	-	-9.30%
Actuarial gains/(losses) recognised in SIRGL	-159	34	76	-44	-29
Present value of liabilities	953	1,029	943	941	744
Percentage of the present value of liabilities	-15.8%	3.30%	8.10%	4.7%	-3.90%

Note 15 - Ultimate parent undertaking

At 31 March 2009 the Society's ultimate parent undertaking and ultimate controlling party was Radian Group Limited. Radian Group Limited is the parent of both the largest and smallest group within which Turnstone Support is consolidated.

Radian Group Limited is a Registered Provider.

Consolidated accounts have been prepared separately for the Group as at 31 March 2009 and are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

Note 16 - Operating leases and capital commitments

The payments which the Company is committed to make in the next year under operating leases are as follows:

	2008/09 £'000	2007/08 £'000
Property: Leases which expire		
Within one year	396	408
More than five years	399	438
Plant and equipment : Leases which expire		
Within one year	22	85
Between two and five years	217	79
	1,034	1,009

There are no capital commitments at the year end (2008:£nil)

Registered office

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Registered under the Industrial and Provident Societies Act 1965 No 27209R