

ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2012

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MILESTONES TRUST

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www.milestonetrust.org.uk

MILESTONES TRUST

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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MILESTONES TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

**Registered office and
principal address:**

Unit 10, Eclipse Office Park
High Street, Staple Hill
Bristol BS16 5EL

Trustees and directors:

R M Slinn (Chair)	L M Henderson
R H Nash	K D Guy
P N Garrard	J R Wadsley
J Broadhead	

T R Denne (appointed 18 October 2011)
K Hedge (appointed 18 October 2011)
H Evans (appointed 28 May 2012)

M Speirs (resigned 9 July 2012)
M Shovelton (retired 18 October 2011)
D G Knapp (retired 18 October 2011)
E R Weaver (retired 18 October 2011)
A Harries (resigned 13 September 2011)

Secretary:

P R Butler

Chief executive:

M Akers

Auditors:

Warren & Co
Meadhaven, Church Lane
Flax Bourton
Bristol BS48 3QF

Solicitors:

Lyons Davidson
48-52 Baldwin Street
Bristol BS1 1QD

Bankers:

National Westminster Bank
4th Floor, Castlegate House
Tower Hill
Bristol BS2 0JA

Allied Irish Bank
2 Callaghan Square
Cardiff CF10 5BT

The Co-operative Bank
16-17 High Street
Cardiff CF10 1AY

Investment advisors:

Barclays Wealth
Aurora Building
120 Bothwell Street
Glasgow G2 7JT

MILESTONES TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Reference and administrative details

This Annual Report forms the Trustees' report for the purposes of Section 45 of the Charities Act 1993 and the Directors' report for the purposes of Chapter 5 of Part 15 of the Companies Act 2006

The financial statements have been prepared in accordance with the Charity's governing document, the Companies Act 2006 and the Revised Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005

The Trust is a company limited by guarantee (number 02011021) and registered charity (number 294377) The details of trustees, senior staff and professional advisors engaged by the Trust are set out on page 1

Structure, Governance and Management

Milestones Trust is governed by the terms of its Principal Trust Deed and its Memorandum and Articles of Association The Memorandum and Articles were revised and updated on 16th April 2007 The Trust was incorporated on 16 April 1986

As set out in the Articles of Association, the Board of Trustees (who are directors for the purpose of company law) consists of no less than six members and no more than fifteen All Trustees are appointed by election

At every Annual General Meeting of the company one third of the Trustees must retire from office The Trustees to retire are those who have been longest in office since their last election or re-election A retiring member is eligible for re-election, unless they have served continuously for more than ten years, in which case they must step down for at least one year

Trustees are sought in a variety of ways to ensure that collectively they have the range of skills and experience required to govern a health and social care charity with a turnover in excess of £28 million This means Trustees come from all walks of life, some with experience of health and social care, some with experience of business or law or property management Regular skills audits are conducted to guide the recruitment of new Trustees In recent years the Trust has specifically used a recruitment agency specialising in executive recruitment in order to augment skills in procurement and strategic financial management at Board level, as well as advertising locally and nationally

All Trustees undertake an induction, including an awareness of their governance responsibilities Trustees are also offered the opportunity to attend other relevant training courses Trustees meet on at least ten occasions each year as a Board receiving reports from a professional management team They also meet in three sub groups – Care Practices, Human Resources and Training, and Strategy The primary role of these groups is scrutiny and development of the future direction of the Trust These groups report to the main Board, and their work and advice inform Board decisions

The day-to-day running of the Trust is delegated to the Chief Executive and his Management Team who exercise executive responsibility within a scheme of delegation The Management Team are held accountable for the successful implementation of business plans, the maintenance of standards and the financial management of the Trust

Following on from the restructure of the Trust's operational management, which unified the learning disability and mental health divisions, the Trust has further integrated supported living services to create more efficient and seamless services

MILESTONES TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

The Trust plays an active role in the local health and social care communities of Bristol, South Gloucestershire and North Somerset. The Trust's service users and staff are encouraged to participate in opportunities to comment on and shape service developments. The Trust is a member of The Care Forum which is an umbrella body enabling voluntary organisations, and through them local communities, to participate fully and equally in the planning and improvement of services. Trust staff serve on a range of groups, from local authority providers' forums to specific service improvement groups.

The Trust is also a member of Care & Support South West, a regional organisation of service providers. The Chief Executive is a member of ACEVO (Association of Chief Executives Voluntary Organisation).

The Trust's key partnerships are with the local authorities and primary care trusts/shadow clinical commissioning groups of Bristol, North Somerset, South Gloucestershire, and to a lesser extent North East Somerset, Gloucestershire and Swindon. These authorities commission a significant proportion of the Trust's services.

Public Benefit

We have complied with the duty in section 4 of the 2006 Charities Act to have due regard to public benefit guidance published by the Charities Commission.

The principal means by which the Trust provides opportunities for those who cannot afford the fees for our services is through the provision of support to people funded/part funded by local or health authorities.

We also further the mission and aims of the Trust through the provision of services over and above those funded by public contracts, and by organising community events that promote the inclusion of beneficiaries with their fellow citizens and encourage neighbours/neighbourhoods to attend 'fun' events that help break down prejudices/barriers to social inclusion. Our Expressions activities provide people with a creative outlet and help the public understand the abilities of all those who use our services.

We work with other organisations to participate in local and national networks to promote/highlight the needs of our beneficiaries and where possible support beneficiaries to advocate/participate themselves.

Risk Management

The major risks, to which the charity is exposed, as identified by Trustees, have been reviewed and systems have been established to mitigate those risks. These risks and systems are reviewed regularly by Trustees. Some risks can be mitigated by insurance and the observance of policies and procedures, whilst others require the establishment of a level of reserves. Some of these risks are referred to in this report, such as the pressure to reduce fees at a time when other costs (e.g. VAT) are rising. We anticipate significant commissioning strategy changes in the forthcoming year. Other risks are newly developing, such as those that might arise out of the European debt crisis or other global events impacting on the UK economy and its public finances.

The Trust has continued to review and respond to developing risks. Insurances (including Business Continuity cover) are maintained, and reviewed annually to ensure they meet the needs of the business. Business continuity planning is maintained at a Trust wide and service/home level.

MILESTONES TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Objectives and Activities

The Trust's object, set out in the memorandum and articles of association, is 'to preserve health and social welfare by promoting the personal development of people with learning disabilities, mental health needs and physical disabilities to develop a fulfilling life in the community'

Our mission is 'to enable people to develop a fulfilling life in the community'

'to continually seek to improve and be responsive to the changing needs and wishes of the people we support'

Our service aims are recognised nationally as principles or aims for community care

- To ensure service users have the opportunity to live within ordinary communities and use the facilities available there
- To ensure users are given the opportunities to develop personal, practical and social activities with whatever support is required
- To ensure users are offered choices and are supported in making both day to day and major life decisions
- To ensure users experience a valued place among a network of people and valued roles in society
- To ensure users become part of a community with a network of valued relationships

The three remaining aims reflect the desire of the Trust to be a good employer – to grow and develop and meet contractual obligations

- To ensure Milestones Trusts reputation is built on being a good employer
- To invest in services that can improve the quality of life of service users
- To meet the contractual obligations of those who purchase our services and where possible exceed their expectations

The core of Milestones Trust activities is the provision of nursing and residential care in 43 homes serving approximately 500 people. The homes range from small domestic properties accommodating four or five people, to a purpose built dementia care home for 44 people. The Trust owns 35 homes and the remainder are leased from housing associations or local councils. In the past decade the Trust has widened the range of services it offers in response to the changing needs and choices of its beneficiaries.

The year has seen consolidation of provision in supported living services provided in peoples' own homes and day services that offer a range of activities. Promoting independence has always been one of the aims of the Trust. For the service users who are able to gain increased rights (and responsibilities) by becoming tenants, the move is always seen as a positive step. Over 250 people are supported in this way to live the life they choose.

Milestones Trust has earned an enviable reputation for its training of staff. This has particularly been the case in the areas of Person Centred Planning, Behavioural Support and Recovery Services. The Trust remains committed to the standards and obligations required by achieving accreditation to the Investors In People.

MILESTONES TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Award (this significant recognition was awarded in June 2005, and was confirmed following our reassessments in 2008 and 2011)

A number of the Trust's properties (both owned, and those provided by Housing Association partners) were refurbished during the year

The Trust is clear about the outcomes it wishes to achieve in its work with people who use its services. In health and social care, whilst it is possible to objectively measure inputs, outcomes require more subjective measures. Service users are at the heart of measuring our effectiveness in achieving the Trust's objectives.

Both internal and external independent audits are used. Broad objectives are turned into questions or themes to explore. Service users and/or their families/friends are able to say 'I am as healthy and independent as I can be', 'I am able to participate in community activities' or 'I feel valued by others'.

We continually strive to improve services and whilst the majority of our efforts are based on individual needs using techniques like person centred planning and dementia care mapping, there is also a need for collective action. We often struggle to fulfil the objective of ensuring users become part of a community with a valued network of friendships. Much of our work is directed at reducing social exclusion. Our Expressions arts and activities programme is an example of this work.

Achievements and Performance

The Trust publishes an Annual Review (available on our website www.milestonetrust.org.uk) that illustrates the achievements of service users and staff in relation to the objectives and activities of the Trust, as set out in our objectives, strategy and business plans. The Review reports on our successes (and failures) in meeting the targets outlined in the 2011/12 business plan.

It has been a demanding year for everyone involved in health and social care services. As cuts started to bite, the Trust implemented some difficult decisions about home closures, reducing 54 registered homes to 50. Through excellent partnership working with staff, social workers and families, every service user found a new home (most in our own existing services) and staff worked tirelessly to ensure the move was a positive experience.

As older homes with vacancies closed, we opened a brand new home, Mortimer House, a purpose-built nursing home for people with learning disabilities, in particular those living with dementia. The royal opening by HRH the Earl of Wessex in September was a highlight of the year.

Key objectives achieved during the year included

- Increasing the range and choice of services with growth in supported living
- Continued and increased involvement of service users and their families in the planning and evaluation of services
- Implementing a quality audit system reflecting new CQC standards
- Responding positively to commissioner demands for reductions in our fees / funding streams whilst minimising the impact on the vast majority of beneficiaries
- Establishing a new recovery service for people with mental health needs
- Expressions, an arts event involving service users
- Increasing the number of volunteers active in the work of the Trust

MILESTONES TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Our determination to ensure that people have a life, not just a service, will remain strong. Our approach can be summarised in the phrase 'supporting people the way they want to be supported'.

Investment Portfolio Performance

The Trust's investment portfolio shrunk marginally during the year, reducing in value by £6,760 (0.6%). This followed on from a year in which previous market losses have been recovered. On 31 March 2011 the total value of the portfolio stood at £1,076,155 and on 31st March 2012 this figure was £1,069,395. However, the value of dividends and interest received on these investments rose by 16% last year, to £38,772. This performance is achieved against objectives of diversifying the Trust's cash holding and obtaining a return on these investments that exceeds the return that would have been achieved from normal cash investments.

Financial Review

The majority of the Trust's income consists of contract income from Local Authorities and three local Primary Care Trusts (PCTs). Except for specific fund raising income shown as 'Voluntary Income' within the accounts, all income for the year ended 31 March 2012 represented unrestricted funds and is therefore disclosed in both the Statement of Financial Activities and the Income and Expenditure Account.

The Trust recognised the potential for reduced income as a result of the banking crisis and subsequent government austerity programmes in its 2010-15 strategy 'Let's Get Personal'. Our planned programme of closures and cost savings that were completed in 2010-11 took account of this. The Trust has benefitted financially in 2011-12 from the full effect of this programme. This has allowed the trust to meet its reserves target and have sufficient funds to support the development programme identified in the strategy. Delays relating to land acquisition and planning have resulted in a temporary higher level of reserves. We anticipate our underlying reserves performance to remain within targets.

The good financial result was achieved by a combination of reducing wage costs, and closing uneconomic services (see note 11 exceptional restructuring costs). This restructuring achieved full occupancy in most services and explains our sound performance.

This was achieved against a continuing pressure from commissioners to reduce fees.

In the short term the Trust will continue to receive reduced income before in the medium term, the Trust will see its income increase again with new developments (see future Plans).

In the context of the extremely challenging commissioning environment, the underlying Trust performance has remained sound, particularly in the context of reduced demand for some learning disability residential services, limiting the potential for income growth. At 31st March 2012 Net Current Assets stood at £3,404,126, and Available Funds were £4.6 million. The value of outstanding mortgages has reduced by 39% during the year.

Charges to the accounts for 2011/12 include a provision of £105,000 for the costs of restructuring services to meet the changing needs and priorities of service users and commissioners. The changes are designed to deliver services which are more tailored and responsive to the individual, and which are more cost effective and adaptable for the Trust. The provision relates to the cost of redundancies and other employee related settlements.

Once again, several cost increases by statutory and other bodies, over which the Trust has no control, exceeded general inflation, again underlining the importance of achieving a sound financial position that enables a

MILESTONES TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

volatile cost and commissioning environment to be addressed in a relatively measured and rational way. The fundraising costs of £9,767 (see Note 5), relate primarily to the internal Trust costs attributed to supporting this function. During 2011/12 donations of £60,358 were received (see Note 2).

Investment Policy

Historically the Trust's investment policy was limited to the investment of temporary cash surpluses. This was revised following receipt of stocks and shares as part of a bequest towards the end of 2001/2002. Following regular reviews of our investment policy, and the increase in the Trust's available reserves, a more balanced approach to liquid reserves was adopted, and further investment was made during 2005/06. On a day-to-day basis the fund is managed by professional fund managers who have an investment objective to maintain a balance between capital appreciation and income, subject to a medium degree of risk.

In consideration of the risks to which the charity is exposed, Trustees determined an appropriate reserves level of between six and eight weeks operating costs (between approximately £3.3 million and £4.4 million on current budgets). This target was achieved. Reserves are here defined as those Unrestricted Income Funds not invested in land and buildings and other tangible fixed assets.

In considering the level of required reserves, Trustees considered the extent to which reserves are needed to -

- a Protect the Trust from insolvency
- b Cover six to eight weeks operating costs
- c Prevent serious disruptions to its operations
- d Meet any shortfall between anticipated income and budgeted out-goings/unforeseen expenditure
- e Replace assets as necessary
- f Fund specific developments and projects identified in business plans and the Trust strategy

Plans for the future: Our current strategy

Delivering responsive, reliable, high quality person centred services lies at the heart of our strategy. We are now in year three of our 2010-2015 strategy 'Let's get personal' – a title reflecting both our commitment to tailoring our services to individual needs and the government's developing approach to service provision.

Personalisation is the word used to describe a set of public policies that promote an individual approach to arranging and directing services. At best, service users have their own budget to arrange/direct their own support with the help of an advocate/friend or family member where required. The Trust remains disappointed by the slow implementation of such policies for people with complex needs, it supports the aspiration for service users to control their own services.

Our strategy is succeeding in some areas, but it is proving slow to implement in others. The necessity to reconfigure some services and deliver efficiency savings has been a priority. As our review of the year and financial performance demonstrates we succeeded with this priority. However there is no room for complacency. We are working closely with social care commissioners to reduce prices year on year for the next year and beyond. One area of regretful reality is that we announced a third year of pay freezes for our highly skilled workforce.

MILESTONES TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

Other areas of our strategy included

- Opening of a 28 bed nursing home accommodating people with learning disabilities who have complex needs, including dementia (Opened in May 2011)
- The continued search for a suitable site in Gloucestershire for a new dementia care centre. A potential purchase fell through and the search for suitable sites in a 'thin' market has proved challenging
- Supported living services served more people, but rates of growth (and prices) fell towards the end of the year
- Mental health services made excellent progress on establishing a recovery service in response to service users needs and aspirations. We anticipate opening a new service – the Bristol Recovery House early in 2013, having been granted planning permission

We continue to develop innovative projects that further our mission and values, not only through our small development fund, but also by exploring new funding streams and partnerships. The Trust is committing itself to expand its capacity in areas identified as important by service commissioners and other partners. With relatively low levels of borrowing and a cash surplus, the Trust is well placed to develop new services or buy existing services. At the same time, our range of community based services continue their steady growth. The Trust, like other charities, has the ability to work across boundaries, in our case health, social care and housing. We are close to the user and have a passion for good quality services.

Other elements of our strategy include -

- Maximising independence through working in partnership with housing associations, private landlords and others so people can live in their own homes. It also requires converting some residential homes to flats for supported living
- Building on the skills of our existing workforce so that services can be offered to support the lifestyle requirements of people who use those services. Day services, domiciliary services, supported living, and job coaching are all examples of services that we hope to expand to meet the growing expectations of service users
- Developing 'transitional services' for younger people

Employment policies

Milestones Trust promotes equal opportunities and celebrates diversity within all areas of its work. The aim is to ensure that all procedures and practices do not discriminate on the grounds of race, disability, religion, age, nationality, sex, sexual orientation and marital status.

Where an employee or prospective employee is identified as disabled, the provisions of the Disability Discrimination Act are followed. This states that reasonable adjustments to the workplace and working practices should be considered to ensure that a disabled employee is not disadvantaged. Discussions are held with the affected employee, Occupational Health Services and, where appropriate, the employee's GP. Most Trust properties have good disabled access and facilities.

The Trust has policies in place to ensure that employees are consulted and provided with appropriate

MILESTONES TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2012

information in order that they be fully involved in the performance of the Trust and are aware of factors affecting the organisation. Area Managers hold monthly home managers' meetings and a regular Staff Newsletter is circulated to all homes that includes information on the Trust's strategy and staff opportunities. Appropriate external and internal training is provided when implementing policies.

The Trust operates an open culture and the Chief Executive, managers and Trustees encourage staff to open channels of communication. Staff are encouraged to join Trade Unions and consultation takes place with those Unions regarding matters relating to pay and conditions of employment.

Statement of Trustees' responsibilities

The trustees (who are also directors of Milestones Trust for the purposes of Company Law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements the trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- the Trustees 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 that information.

Approved by the Board on 6 August 2012 and signed on its behalf by



R Slinn
Chair

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MILESTONES TRUST

We have audited the financial statements of Milestones Trust for the year ended 31 March 2012, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, the Income and Expenditure Account and 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 charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 9, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they 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 of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify any 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 charitable company's affairs as at 31 March 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006,

Continued on page 11

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MILESTONES TRUST**

Continued from page 10

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations required for our audit



Linda Warren (Senior Statutory Auditor)
For and on behalf of Warren and Co
Statutory Auditors
Chartered Accountants

Meadhaven, Church Lane,
Flax Bourton, Bristol, BS48 3QF

6 August 2012

MILESTONES TRUST

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Unrestricted funds 2012 £	Restricted funds 2012 £	Total 2012 £	Total 2011 £
INCOMING RESOURCES					
Incoming resources from charitable activities	1	27,895,074	-	27,895,074	29,177,535
Incoming resources from generated funds					
Voluntary income	2	8,644	51,714	60,358	61,799
Activities for generating funds		3,936	-	3,936	25,956
Investment income	3	74,380	-	74,380	52,244
Other incoming resources		96,660	-	96,660	-
TOTAL INCOMING RESOURCES		28,078,694	51,714	28,130,408	29,317,534
RESOURCES EXPENDED					
Charitable activities	4	26,216,266	-	26,216,266	28,766,549
Costs of generating voluntary income	5	9,767	-	9,767	10,619
Governance costs	7	40,377	-	40,377	36,930
TOTAL RESOURCES EXPENDED		26,266,410	-	26,266,410	28,814,098
NET INCOMING RESOURCES BEFORE TRANSFERS					
		1,812,284	51,714	1,863,998	503,436
Gross transfers between funds	20	104,550	(104,550)	-	-
Net incoming resources before other recognised gains and losses		1,916,834	(52,836)	1,863,998	503,436
Gains and losses on revaluations and disposals of investment assets	13	(6,760)	-	(6,760)	45,575
NET MOVEMENT IN FUNDS		1,910,074	(52,836)	1,857,238	549,011
RECONCILIATION OF FUNDS					
Total funds brought forward		14,656,372	2,550,069	17,206,441	16,657,430
Total funds carried forward		16,566,446	2,497,233	19,063,679	17,206,441

The Statement of Financial Activities incorporates the Statement of Total Recognised Gains and Losses required by FRS 3

The accounting policies and notes on pages 16 to 30 form part of these financial statements

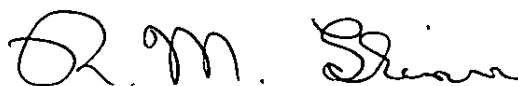
MILESTONES TRUST

BALANCE SHEET AS AT 31 MARCH 2012

	Notes	Unrestricted Income Fund 2012 £	Restricted Funds 2012 £	Total 2012 £	Unrestricted Income Fund 2011 £	Restricted Funds 2011 £	Total 2011 £
FIXED ASSETS							
Tangible assets	12	14,459,713	2,496,264	16,955,977	15,671,011	2,546,472	18,217,483
Investments	13	1,069,395	-	1,069,395	1,076,155	-	1,076,155
Total fixed assets		<u>15,529,108</u>	<u>2,496,264</u>	<u>18,025,372</u>	<u>16,747,166</u>	<u>2,546,472</u>	<u>19,293,638</u>
CURRENT ASSETS							
Debtors	14	1,712,521	-	1,712,521	2,018,615	-	2,018,615
Cash at bank and in hand	15	6,444,641	969	6,445,610	4,718,036	3,597	4,721,633
Total current assets		<u>8,157,162</u>	<u>969</u>	<u>8,158,131</u>	<u>6,736,651</u>	<u>3,597</u>	<u>6,740,248</u>
CREDITORS Amounts falling due within one year	16	(4,754,005)	-	(4,754,005)	(5,132,873)	-	(5,132,873)
Net current assets		<u>3,403,157</u>	<u>969</u>	<u>3,404,126</u>	<u>1,603,778</u>	<u>3,597</u>	<u>1,607,375</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,932,265</u>	<u>2,497,233</u>	<u>21,429,498</u>	<u>18,350,944</u>	<u>2,550,069</u>	<u>20,901,013</u>
CREDITORS Amounts falling due in over one year	17	(1,990,498)	-	(1,990,498)	(3,222,572)	-	(3,222,572)
PROVISIONS for liabilities and charges	18	(375,321)	-	(375,321)	(472,000)	-	(472,000)
NET ASSETS		<u>16,566,446</u>	<u>2,497,233</u>	<u>19,063,679</u>	<u>14,656,372</u>	<u>2,550,069</u>	<u>17,206,441</u>
FUNDS OF THE CHARITY							
Funds invested in fixed assets		11,899,215	-	11,899,215	11,478,439	-	11,478,439
Investment revaluation reserve		74,533	-	74,533	83,415	-	83,415
Funds available for use		4,592,698	-	4,592,698	3,094,518	-	3,094,518
Unrestricted income funds	19	<u>16,566,446</u>	<u>-</u>	<u>16,566,446</u>	<u>14,656,372</u>	<u>-</u>	<u>14,656,372</u>
Restricted funds	20	<u>-</u>	<u>2,497,233</u>	<u>2,497,233</u>	<u>-</u>	<u>2,550,069</u>	<u>2,550,069</u>
TOTAL CHARITY FUNDS		<u>16,566,446</u>	<u>2,497,233</u>	<u>19,063,679</u>	<u>14,656,372</u>	<u>2,550,069</u>	<u>17,206,441</u>

Approved by the Board on 6 August 2012 and signed on its behalf by

R Slinn
Chair



The accounting policies and notes on pages 16 to 30 form part of these financial statements

MILESTONES TRUST

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012	2011
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	2,409,871	1,814,496
		<u> </u>	<u> </u>
VOLUNTARY INCOME RECEIVED		60,358	61,799
		<u> </u>	<u> </u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest and similar income received		74,380	52,244
Interest paid		(105,404)	(143,717)
		<u> </u>	<u> </u>
		(31,024)	(91,473)
		<u> </u>	<u> </u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Receipts from sale of tangible fixed assets		1,052,893	-
Payments to acquire tangible fixed assets		(136,047)	(34,009)
		<u> </u>	<u> </u>
		916,846	(34,009)
		<u> </u>	<u> </u>
FINANCING			
Decrease in loan debt	24	(1,632,074)	(1,308,371)
		<u> </u>	<u> </u>
INCREASE IN CASH	24	1,723,977	442,442
		<u> </u>	<u> </u>

The accounting policies and notes on pages 16 to 30 form part of these financial statements

MILESTONES TRUST

SUMMARY INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012	2011
		£	£
INCOME			
Incoming resources from charitable activities	1	27,895,074	29,177,535
Voluntary income	2	60,358	61,799
Activities for generating funds		3,936	25,956
Interest receivable and similar income	3	74,380	52,244
Net surplus on disposal of investment assets	13	2,122	22,002
Surplus on disposal of tangible fixed assets		96,660	-
		-----	-----
INCOMING RESOURCES BEFORE TRANSFERS		28,132,530	29,339,536
Release of capital grant	20	50,208	50,208
		-----	-----
TOTAL INCOME		28,182,738	29,389,744
		-----	-----
EXPENDITURE			
Charitable activities	4	26,216,266	28,766,549
Costs of generating voluntary income	5	9,767	10,619
Governance costs	7	40,377	36,930
		-----	-----
TOTAL EXPENDITURE		26,266,410	28,814,098
		-----	-----
NET INCOME FOR THE YEAR	10	1,916,328	575,646
		=====	=====

There were no acquisitions or discontinued operations during the year

The accounting policies and notes on pages 16 to 30 form part of these financial statements

MILESTONES TRUST

STATEMENT OF ACCOUNTING POLICIES

Convention

The financial statements have been prepared under the historical cost convention (except for investments, which are included at revalued amounts) and in accordance with applicable United Kingdom accounting standards, the Companies Act 2006, and follow the recommendations in the Revised Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005. The Trustees have, in accordance with s 396 of the Companies Act 2006, departed from the standard format of the income and expenditure account in order to give a true and fair view and comply with the Statement of Recommended Practice.

Incoming resources

Voluntary income comprises income from donations, legacies and grants, and is recognised on a receivable basis in the appropriate fund.

Incoming resources from charitable activities are recognised on a receivable basis, and consist principally of charges for the provision of residential and nursing care and related services. Incoming resources are allocated to charitable activities on the basis of actual amounts received. Contract income received in advance of the period to which it relates is deferred.

Historically, capital grants were received in the form of land and buildings to be used for the provision of accommodation for residents with learning disabilities or mental health needs. These properties cannot be sold without repayment of the related capital value. These grants are therefore accounted for as Restricted Capital Funds. The relevant assets are depreciated in accordance with the depreciation policy and the value of the Restricted Capital Fund is reduced accordingly.

Resources expended

All resources expended are included in the Statement of Financial Activities during the period in which they are incurred, on an accruals basis and inclusive of any VAT which cannot be recovered since the Trust is not registered for VAT.

Support costs are allocated to charitable activities with the exception of a small proportion that have been allocated to costs of generating voluntary income, together with specific costs incurred. Governance costs represent the costs of meeting the charity's statutory responsibilities.

Pension costs

The Trust participates in two types of pension scheme.

Contributions payable to the defined contribution pension scheme are charged to the income and expenditure account in the period to which they relate.

Contributions payable to the National Health Service and Pensions Trust defined benefit pension schemes are charged to the income and expenditure account in the period that they arise. Both schemes are multi-employer schemes in which it is not possible for the Trust to identify its share of the underlying assets and liabilities, and the Trust is therefore exempted from some of the disclosure requirements of FRS17.

MILESTONES TRUST

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Tangible fixed assets

Expenditure of a capital nature over £1,000 is capitalised at cost. Depreciation is provided to write off fixed assets over their anticipated useful economic lives as follows

Freehold properties (excluding land value)	2% straight line
Furniture, fittings and equipment	10%-20% straight line
Motor vehicles	20% straight line

Impairment reviews are conducted where there is some indication that impairment has occurred. Impairment losses are recognised to the extent that the carrying amount of an asset is considered to exceed its recoverable amount.

Operating leases

Rentals payable under operating leases are charged to the statement of financial activities on a straight line basis over the term of the lease.

Investments

Listed investments are valued at their mid-market value at the balance sheet date. Realised gains and losses and unrealised gains and losses on revaluation are included as a single line within the Statement of Financial Activities, although the Summary Income and Expenditure Account includes only realised gains and losses, in order to comply with the requirements of the Companies Act 2006.

Charitable commitments

Charitable commitments relate to the provision of continuing care for existing residents. All future charitable commitments will be met from future funding, via contract income from Social Services and Health Service commissioners, and residents' contributions. Future expenditure in respect of charitable commitments is therefore not recognised in the financial statements.

Fund accounting

The charity has two different types of fund that require separate disclosure.

Restricted funds

These are earmarked by the donor or grantor, or the terms of an appeal, for specific purposes within the overall aims of the charity. The donation or grant and income deriving therefrom must be used in accordance with the specific purposes.

Restricted funds may be of a capital or a revenue nature. In the latter case the restriction is discharged once the donation or grant is expended as required.

Unrestricted funds

Funds that are expendable at the discretion of the Board in furtherance of the objects of the charity.

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2012 £	2011 £
Health authority grant	3,738,474	4,066,298
Contract income	21,766,181	22,791,223
Service user contributions	2,139,781	2,032,030
PCT funding re increased pension contributions (see note 25)	195,520	225,555
Other operational income	55,118	62,429
	<u>27,895,074</u>	<u>29,177,535</u>

2. VOLUNTARY INCOME

	2012 £	2011 £
Restricted donations		
Donations from Quartet	19,450	16,256
Rank organisation grant	-	20,000
Ecominds grant	9,167	10,833
Other grants and donations	23,097	5,758
	<u>51,714</u>	<u>52,847</u>
Unrestricted donations	8,644	8,952
	<u>60,358</u>	<u>61,799</u>

All restricted donations have been received for a specific purpose, and they are therefore treated as income of the restricted funds (note 20)

Donations received during the year of £969 had not been spent at 31 March 2012. This amount is therefore carried forward as part of restricted funds. All other donations and grants were spent during the year and the restrictions have therefore been discharged. Equivalent transfers have therefore been made to the unrestricted income fund.

3. INVESTMENT INCOME

	2012 £	2011 £
Interest receivable	35,608	18,942
Income from stock exchange investments	38,772	33,302
	<u>74,380</u>	<u>52,244</u>

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

4. EXPENDITURE ON CHARITABLE ACTIVITIES

	2012	2011
	£	£
Staff costs		
Employee costs	18,975,127	20,922,989
Agency staff costs	953,276	906,864
	<u>19,928,403</u>	<u>21,829,853</u>
 Non-Pay costs		
Food and household	653,265	675,777
Residents amenities	311,788	316,482
Travel costs	376,352	381,186
Telephone	107,010	95,827
Stationery and office expenses	59,599	89,239
Hygiene and medical	296,325	271,798
Bad debts	36,074	70,696
	<u>1,840,413</u>	<u>1,901,005</u>
 Property costs		
Utilities	557,182	593,447
Registration fees	50,750	52,064
Mortgage interest	30,049	66,751
Rent	320,488	453,100
Fixtures, repairs and maintenance	1,057,284	1,048,123
Depreciation	418,309	723,459
Council tax	69,662	71,972
	<u>2,503,724</u>	<u>3,008,916</u>
 Support costs reallocated (note 6)	<u>1,943,726</u>	<u>2,026,775</u>
 TOTAL EXPENDITURE	<u><u>26,216,266</u></u>	<u><u>28,766,549</u></u>

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

5. COSTS OF GENERATING VOLUNTARY INCOME

	2012 £	2011 £
Fundraising costs	-	434
Recharge 0.5% of support costs (note 6)	9,767	10,185
	<u>9,767</u>	<u>10,619</u>

6. SUPPORT COSTS

	2012 £	2011 £
Head office property costs	174,293	219,748
Head office staff costs	980,036	973,010
Head office agency costs	57,606	81,505
Staff training and development	186,100	200,577
Staff recruitment	24,841	38,610
Staff and payroll support costs	108,096	94,371
Information technology	77,087	73,652
Insurance	116,971	129,210
Legal and professional fees	19,000	34,631
Bank charges	14,923	17,515
Other head office expenses	194,540	174,131
	<u>1,953,493</u>	<u>2,036,960</u>
Less 0.5% recharge to costs of generating voluntary income (note 5)	(9,767)	(10,185)
	<u>1,943,726</u>	<u>2,026,775</u>

7. GOVERNANCE COSTS

	2012 £	2011 £
Reimbursement of trustees' expenses	1,204	974
Trustees' meeting, training and recruitment costs	4,060	1,105
Trustees' indemnity insurance	3,169	3,466
External auditors' fees	23,928	23,336
Recharge 5% salary costs for Chief Executive and Head of Finance	8,016	8,049
	<u>40,377</u>	<u>36,930</u>

No remuneration has been paid to any trustee or any person connected with a trustee
Expenses were paid to four (2011 four) trustees in respect of mileage and other expenses incurred

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

8. STAFF COSTS

	2012 £	2011 £
Wages and salaries	18,050,052	19,765,496
Social security costs	1,405,384	1,563,598
Other pension costs	507,744	574,954
	<u>19,963,180</u>	<u>21,904,048</u>

Agency staff are engaged when necessary to cover staff shortages or absences. Agency expenditure during the year ended 31 March 2012 amounted to £1,010,882 (2011 £988,369)

9. EMPLOYEES

The average number of employees during the year was as follows

	Average number		Whole time equivalents	
	2012	2011	2012	2011
Management and administration	40	38	35	33
Care staff	1,061	1,135	825	896
	<u>1,101</u>	<u>1,173</u>	<u>860</u>	<u>929</u>

There was one employee whose emoluments for the year was in the range from £70,000 to £80,000 (2011 one). This employee is accruing benefits under a money purchase pension scheme, to which contributions of £6,196 were made during the year (2011 £6,196)

10. NET INCOME FOR THE YEAR

	2012 £	2011 £
This is stated after charging		
Loan interest payable	105,404	143,717
Depreciation of owned assets	441,320	487,128
Impairment losses	-	263,016
Operating leases - property rental	405,013	393,100
- motor vehicles	77,524	95,876
Exceptional restructuring costs (note 11)	134,406	493,000
Auditors' remuneration		
Audit fees	14,400	14,000
Other services	5,480	5,860
	<u>1,183,547</u>	<u>1,602,697</u>

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

11. EXCEPTIONAL RESTRUCTURING COSTS

Expenditure on charitable activities during the year ended 31 March 2012 included £134,406 (2011 £493,000) in respect of the exceptional cost of implementing a programme of restructuring, including the closure of a small number of homes. These costs consisted of £134,406 (2011 £433,000) in respect of employee redundancy and other settlements and nil (2011 £60,000) in respect of future leasing costs associated with a property that had been closed at the balance sheet date.

12. TANGIBLE FIXED ASSETS

	Freehold properties £	Fixtures & equipment £	Motor vehicles £	Total £
COST				
At 1 April 2011	22,626,032	1,055,093	344,196	24,025,321
Additions	1,380	89,023	45,644	136,047
Disposals	(1,568,987)	-	(44,030)	(1,613,017)
At 31 March 2012	21,058,425	1,144,116	345,810	22,548,351
DEPRECIATION				
At 1 April 2011	4,476,978	1,009,479	321,381	5,807,838
Charge for the year	377,556	37,718	26,046	441,320
Disposals	(612,754)	-	(44,030)	(656,784)
At 31 March 2012	4,241,780	1,047,197	303,397	5,592,374
NET BOOK VALUE				
At 31 March 2011	18,149,054	45,614	22,815	18,217,483
At 31 March 2012	16,816,645	96,919	42,413	16,955,977

The net book value of freehold properties includes £2,180,677 (2011 £2,306,677) in respect of non-depreciable land.

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

13. INVESTMENTS

	2012 £	2011 £
Valuation at 1 April 2011	1,076,155	1,030,580
Realised profits on disposal	2,122	22,002
Unrealised (losses)/profits on revaluation	(8,882)	23,573
	<u>-----</u>	<u>-----</u>
Valuation at 31 March 2012	<u>1,069,395</u>	<u>1,076,155</u>

Investments consist of a portfolio of listed equities and unit trusts, managed by Barclays Bank PLC. The investments are held to provide an investment return to the charity.

At 31 March 2012 the portfolio consisted of 61% direct and 39% indirect investments. There were no individual investments accounting for more than 5% in value of the portfolio.

14. DEBTORS

	2012 £	2011 £
Operational debtors	1,587,345	1,824,376
Other debtors	8,044	24,272
Prepayments and accrued income	117,132	169,967
	<u>-----</u>	<u>-----</u>
	<u>1,712,521</u>	<u>2,018,615</u>

15. CASH AT BANK AND IN HAND

Bank balances include £1,899,100 (2011 £1,799,911) in respect of accounts held as nominee on behalf of service users who are unable to hold their own bank accounts. Monies within these accounts belong to the relevant service users, and are therefore included within Residents' funds in creditors falling due within one year (note 16).

16. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Loans (note 17)	570,000	970,000
Trade creditors	647,564	628,785
Tax and social security	380,977	431,533
Residents' funds (note 15)	1,909,940	1,815,520
Other creditors	557,525	512,336
Accruals	687,999	774,699
	<u>-----</u>	<u>-----</u>
	<u>4,754,005</u>	<u>5,132,873</u>

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

17. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

All long-term creditors are loans with banks and building societies. They are secured on properties with a net book value of £8,070,938 (2011 £15,762,149) and are repayable by instalments, with interest charged at normal commercial rates

	2012 £	2011 £
Amounts falling due		
Within one year (note 16)	570,000	970,000
Within 1 to 2 years	540,000	730,000
Within 2 to 5 years	1,280,000	1,610,000
In more than 5 years	170,498	882,572
	<u>2,560,498</u>	<u>4,192,572</u>
Less amounts falling due within one year (note 16)	<u>(570,000)</u>	<u>(970,000)</u>
	<u>1,990,498</u>	<u>3,222,572</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Employee settlements £	Grant funding £	Total £
At 1 April 2011	472,000	-	472,000
Costs incurred during the year	(472,000)	-	(472,000)
Additional provisions	105,000	270,321	375,321
At 31 March 2012	<u>105,000</u>	<u>270,321</u>	<u>375,321</u>

The employee settlement provision relates to provisions for redundancy costs arising due to restructuring of operational activities and other employee settlements. At the balance sheet date there was some uncertainty as to both the amount and timing of future settlement payments. The provision represents the best estimate of likely costs arising out of restructuring activities announced prior to the balance sheet date.

The grant funding provision relates to a potential liability to repay grants received, about which there is uncertainty as to both timing and amount of any payment that might be due.

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

19. UNRESTRICTED INCOME FUNDS

The unrestricted income funds consist of

- (a) Funds invested in tangible fixed assets – being the value of tangible fixed assets (note 12) less the value of loans secured thereon (note 17), less restricted funds invested in fixed assets (note 20)
- (b) Investment revaluation reserve – being cumulative unrealised gains less unrealised losses arising on the investment portfolio (note 13)
- (c) Funds available for use – being the balance of unrestricted funds

Movements in the unrestricted income funds are analysed below

	At 1 April 2011 £	Movement £	At 31 March 2012 £
Funds invested in fixed assets	11,478,439	420,776	11,899,215
Investment revaluation reserve	83,415	(8,882)	74,533
Funds available for use	3,094,518	1,498,180	4,592,698
	-----	-----	-----
Total unrestricted income funds	14,656,372	1,910,074	16,566,446
	=====	=====	=====

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

20. RESTRICTED FUNDS

Restricted funds represent capital or income donations or grants received by the Trust for specific purposes. In the case of restricted income donations or grants the restriction is discharged once the donations or grants are expended as required.

During the year ended 31 March 2012, there were restricted income donations and grants amounting to £51,714 (2011 £52,847). See note 2 for details of donations and grants received. The restrictions have been discharged in respect of restricted donations and grants amounting to £54,342, including some donations and grants received in prior years, and an equivalent transfer has therefore been made to the unrestricted income fund.

It was a condition of capital grants received in the past that properties purchased continue to be used for specified charitable purposes and the grants are secured by legal charges in favour of the Secretary of State for Health. If the properties cease to be used for these purposes or are sold without authorised reinvestment, then the market value of the property is repayable to the Health Authority. The restriction in respect of these grants was therefore not discharged when the properties were purchased. These grants continue to be reflected in the balance on restricted funds, but are stated net of amounts released annually to the unrestricted income fund to offset related depreciation charges.

Since there is no intention, in the foreseeable future, to cease to use the properties for the specified charitable purposes, nor to sell them without reinvestment, it is considered that no provision should be made for grants potentially repayable to the Secretary of State for Health.

Movement in the restricted funds

	Capital £	Income £	Total £
At 1 April 2011	2,546,472	3,597	2,550,069
Restricted grants and donations	-	51,714	51,714
Transfers to the unrestricted income fund (note 19)			
Release of restricted donations	-	(54,342)	(54,342)
Release of depreciation	(50,208)	-	(50,208)
At 31 March 2012	<u>2,496,264</u>	<u>969</u>	<u>2,497,233</u>

21. CAPITAL COMMITMENTS

At 31 March 2012 there were no contracted for capital commitments (2011 nil) or capital commitments authorised but not contracted for (2011 nil).

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

22. OPERATING LEASE COMMITMENTS

At 31 March 2012 the Trust had the following annual commitments under non-cancellable operating leases

	Land and Buildings 2012 £	Motor Vehicles 2012 £	Land and Buildings 2011 £	Motor Vehicles 2011 £
Expiring within one year	39,359	12,802	40,441	6,329
Expiring in one to two years	289,592	20,450	233,693	25,203
Expiring in two to five years	15,605	6,969	63,431	20,299
	<u>344,556</u>	<u>40,221</u>	<u>337,565</u>	<u>51,831</u>

23. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Net incoming resources before other recognised gains and losses	1,863,998	503,436
Less voluntary income	(60,358)	(61,799)
Less interest receivable and similar income	(74,380)	(52,244)
Plus interest payable	105,404	143,717
Plus depreciation	441,320	750,144
Less profit on disposal of freehold properties	(96,660)	-
Plus decrease/(increase) in debtors	306,094	(30,855)
Plus increase in creditors	21,132	90,097
Less (decrease)/increase in provisions	(96,679)	472,000
Net cash inflow from operating activities	<u>2,409,871</u>	<u>1,814,496</u>

24. ANALYSIS OF CHANGE IN NET DEBT

	At 1 April 2011 £	Cash flows £	Other changes £	At 31 March 2012 £
Cash at bank and in hand	4,721,633	1,723,977	-	6,445,610
Loans due within one year	(970,000)	-	400,000	(570,000)
Loans due in more than one year	(3,222,572)	1,632,074	(400,000)	(1,990,498)
	<u>529,061</u>	<u>3,356,051</u>	<u>-</u>	<u>3,885,112</u>

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

25. PENSION COSTS

The Trust participates in one defined contribution pension schemes and two multi-employer defined benefit scheme. The assets of all pension schemes are held separately from those of the company in independently administered funds.

Contributions payable by the Trust to the defined contribution scheme, in respect of 3 employees (2011 3), amounted to £9,514 (2011 £9,552). Contributions totalling £4,190 (2011 £2,083) were payable to this fund at the balance sheet date and are included in creditors (note 16).

Some employees of the Trust are eligible for membership of the NHS Pension Scheme. This is a multi-employer defined benefits scheme for the National Health Service and other approved organisations. Due to the nature of the scheme, the Trust is unable to identify its share of the underlying assets and liabilities and, in accordance with FRS17, the Trust is therefore exempted from providing details of these. The cost of pensions are met by a level percentage contribution called the Normal Contribution rate, calculated by the Government Actuary on the basis of quinquennial valuations using the prospective benefits valuation method. The most recent valuation, published in 2008, was for the five years from 1999 to 2004. This is a public document available from HM Stationery Office and for a more complete understanding it should be reviewed in its entirety.

The most recent actuarial valuation showed that the value placed on notional investments at 31 March 2004 amounted to £124 billion and that the present value of benefits accrued to members amounted to £127 billion, net of the present value of future contributions by current members. There was therefore a deficiency at 31 March 2004 amounting to £3.3 billion. In the previous quinquennial valuation it was concluded that employer's contributions should be increased from 7% to 14.2% to meet the deficit that existed at that time. The contribution rate was actually increased to 14% with effect from April 2004. The latest quinquennial valuation concludes that the effect of the shortfall in increase (14.2% less 14%) over the period from 2004 to 2008 is to increase the effective deficit at 31 March 2004 to £3.5 billion, and that it would be necessary to increase employer's contributions to 15.3% with effect from 1 April 2008 in order to fund this deficit.

With effect from 1 April 2008, modification has been made to the existing NHS pension scheme and this is closed to new entrants. A new scheme has been opened to new entrants (although not relevant for the Trust). The actuarial valuation concludes that the financial impact of these amendments means that employer contributions may be maintained at 14%.

During the year ended 31 March 2012 and the previous 7 years the Trust received direct funding from the Department of Health as a contribution towards the increased cost of NHS pension funding. The increased costs for the year ended 31 March 2012 amounted to £195,520 (2011 £225,555), and this amount of the contribution is therefore recognised as additional operational income. The funding was provided with the restriction that it might only be used to fund the additional NHS pension funding costs. The balance of £328,468 (2011 £312,447) received during the year ended 31 March 2012 and prior years has therefore been carried forward within other creditors (note 16).

Contributions payable by the Trust to the NHS Pension Fund during the year, in respect of 155 employees (2011 171), amounted to £391,695 (2011 £455,177). Employers' and employees' contributions totalling £169,664 (2011 £160,488) were payable to this fund at the balance sheet date and are included within other creditors (note 16).

All other employees are eligible for participation 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.

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

25. PENSION COSTS continued

and the trust is unable to identify on a reasonable and constant basis its share of the underlying assets and liabilities. It is therefore exempted from providing details of these.

Contributions payable by the Trust to the Plan during the year, in respect of 127 employees (2011 122) amounted to £106,535 (2011 £110,225). Employers' and employees' contributions totalling £20,428 (2011 £19,995) were payable to this fund at the balance sheet date and are included in creditors (note 16).

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. The Trust paid contributions at the rate of 5% during the accounting period. Members paid contributions at the rate of 6% during the accounting period.

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. 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. These 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 valuation results at 30 September 2008 were completed in 2009 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 £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

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

	% p.a
Rate of return pre retirement	7.6
Rate of return post retirement	
Active/Deferred	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

MILESTONES TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

25. PENSION COSTS continued

In determining the investment return assumptions the Trustee considered the advice from the Scheme Actuary relating to the probability of achieving potential 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.

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 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

The preliminary triennial valuation results as at 30 September 2011 were received in March 2012 but, as the valuation will not be finalised until later this year, this disclosure note must still refer to the 2008 valuation results as the last completed valuation. The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £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%. The Trustee has indicated that the proposed recovery plan in respect of the September 2011 valuation aims to eliminate the deficit within 10 years via a combination of additional contributions from employers and investment returns over a period of 10 years from April 2013. The additional contributions required from the Trust for the year 2013/2014 have been specified at £9,677.

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 Pension 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 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.

26. LIMITED LIABILITY STATUS

The Trust is a company limited by guarantee with no share capital.