

Aberdeen Association of Social Service

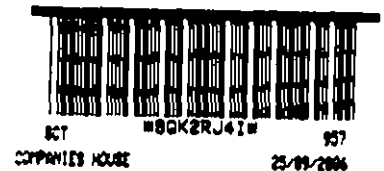
Operating as VSA

(A company limited by guarantee, not having a share capital)

Directors' report and financial statements for the year ended 31 March 2006

Registered Number 18487

Charity Registration Number SC 012950



Aberdeen Association of Social Service

Operating as VSA

Directors' report and financial statements for the year ended 31 March 2006

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Report of the Trustees' for the year ended 31 March 2006

The trustees are pleased to present their report together with the audited financial statements for the year to 31 March 2006.

Reference and administrative details

Charity Name:	Aberdeen Association of Social Service
Operating Name:	VSA
Charity registration number:	SC 012950
Company registration number:	18487
Registered office and Principal office:	38 Castle Street Aberdeen AB11 5YU

Directors and trustees

The directors of Aberdeen Association of Social Service (the charity) are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees.

The trustees who held office during the year are given below:

Mr N Esslemont	Chair
Mr J Stevenson	Vice Chair
Mr A Amooore	Treasurer
Mr M Archibald	(resigned 30 September 2005)
Mr J M Bremner	
Mr A D Burns	
Mr J Butler	
Mr J Clark	
Cllr I Cormack	
Mrs K Crosby	
Mr E Flett	
Mrs A R G Henderson	(resigned 21 September 2005)
Dr V Jandial	
Ms H A Kelman	
Ms F Kennedy	(resigned 31 March 2006)
Mr G Kyle	
Mr B Lockhart	(elected 22 September 2005)
Mrs E Lyall MBE	
Mr J Mackie	
Mr I E Maclean	(resigned 31 March 2006)
Mrs V J Maltin	(resigned 21 September 2005)
Mr K Petrie	
Mr A Robb MBE	
Mrs O Rutherford	
Mr P Staite	(resigned 31 March 2006)
Mrs M Wilson	(elected 22 September 2005)
Mr K Simpson	Secretary

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Senior Management Team

Mr K Simpson	Chief Executive
Mr B Richards	Deputy Chief Executive
Mrs S Barnett	Head of Communications & Fundraising
Mr K Ledingham	Director of Services for Older People
Mrs D McCabe	Director of Children & Family Services
Mr R McDonald	Director of Adult & Community Services
Mrs E Robertson	Director of Corporate Services

Registered auditors

PricewaterhouseCooper LLP, Erskine House, 68-73 Queen St, Edinburgh, EH2 4NH

Bankers

Bank of Scotland, PO Box No. 10, 2nd Floor, 38 St Andrew Square, Edinburgh, EH2 2YR

Solicitors

Paull & Williamsons, New Investment House, 214 Union St, Aberdeen, AB10 1QY

Investment Manager

Newton Investment Management Ltd, 2 Festival Square, Edinburgh, EH13 9SU

Structure, Governance and Management

Governing Document

The organisation is a charitable company limited by guarantee and governed by its Memorandum and Articles of Association as amended 30 May 2002. It is a registered charity with the Office of the Scottish Charity Regulator. Anyone can become a Member of the Company each of whom agree to contribute one pound sterling in the event of the Charity being wound up. There are two classes of Member, namely Annual Member and Life Member, dependent on subscription levels.

Recruitment and Appointment of Trustees

The Board of trustees aims to be a clearly identifiable body with the right balance of skills and experience to run the Charity effectively. The Board understands its responsibilities and ensures it has systems in place to exercise them. This includes the identification of the skills, knowledge and experience required for the effective direction of the Charity. The recruitment, selection and rotation of trustees will be based on the mix of skills, knowledge and experience that individuals have to offer, bringing diversity to the trustee body.

The Board of trustees is comprised of members who are elected as individuals. Members of the Board are elected at the Annual General Meeting, normally for a period of three years. One-third of current Board members retire each year, and are eligible for re-election, usually for no more than three terms of office. Members can be co-opted to the Board as vacancies arise, and may be nominated for election at the next Annual General Meeting. There should be no less than sixteen and no more than thirty two members on the Board.

Trustee Induction and Training

New trustees are given a copy of the Memorandum and Articles of Association and a suite of other documents that describe the role, functions and operations of the Board, the Trustees and Committees. New Board members are also given a document on the Role of Board members as Company Directors and Charity Trustees. This explains their legal obligations under charity and company law. They are also provided with the latest Annual Report which provides detailed information about the Charity's activities, and a leaflet on the Charity's aims and values which reflects the main concerns and principles underlying the Charity's actions.

To enable Board members to undertake their role fully and effectively the Charity is further developing an induction programme over the course of the next financial year.

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Organisational Structure

The Board of trustees administers the Charity. The Board meets quarterly to deal with normal business and although the Secretary sits on the Board he has no voting rights. There are several Committees that have met to monitor detailed activity including Property & Planning, Finance & Audit, Agecare, VSA Shops, Easter Anguston/Linn Moor, Marketing & Fundraising and Community & Personal Services.

As from 1st April 2006 the governance structure has changed to align with the new management structure. There are seven Committees, three functional committees and three service committees and the Chairman's Committee. These Committees will meet to monitor the ongoing work of the Charity and to develop new policies making recommendations to the Board of Trustees which will meet quarterly.

Kenneth Simpson, as Chief Executive, is appointed by the Trustees to manage the day to day operations of the charity. A scheme of delegated authority, approved by the Trustees, is in place to facilitate effective operations. The Chief Executive is supported by a senior management team consisting of a Deputy Chief Executive, a Director of Corporate Services, a Head of Communications and Fundraising and three Services Directors.

Related parties

The Charity has a close relationship with Castlehill Housing Association Limited, a charity that provides affordable rented accommodation to families and older people. VSA rents a house at 16 Richmondhill Place, Aberdeen and a property at 17 Westerton Crescent, Aberdeen from Castlehill Housing Association Ltd. VSA provides social work services, gardening and cleaning services to Castlehill Housing Association. The Chief Executive of Castlehill Housing Association Ltd is a Trustee of VSA and the Chief Executive of VSA is a Director of Castlehill Housing Association Ltd.

The Charity also has close relationships with Aberdeen Council of Voluntary Organisations (ACVO) where the Chief Executive of VSA is a Director of the charity. ACVO provide VSA with a Health & Safety service. ACVO rent office accommodation from VSA.

The Charity also has a close working relationship with VSA Charitable Trust where a minimum of three Trustees are appointed to the Board of VSA Charitable Trust. The Board members normally appointed to the Charitable Trust are the Chairperson, Vice Chairperson and Treasurer of Aberdeen Association of Social Service. A summary of transactions with these organisations is set out in note 24 to the financial statements.

Risk management

The trustees have carried out an assessment of the major risks to which the Charity is exposed. This resulted in compiling emergency planning procedures in the event of some disaster such as a fire at one of the Charities homes or a fire at head office.

It is the trustees' objective to develop a comprehensive risk management strategy which will include an annual review of the risks the charity may face together with reviewing the systems and procedures that are in place to mitigate the risks identified and also to ensure procedures are in place to minimise risks should any of these risks materialise.

Objectives and Activities

The objects of the Charity are:

- To provide for the general welfare of children, families, adults, older people, disabled people and people in need who are partially or wholly unable to provide for themselves
- To act in co-operation with the statutory authorities and other organisations, voluntary or otherwise, engaged in the furtherance of general welfare
- To establish, take over or administer, either alone or along with others, charitable funds or agencies, either as Trustees or in any other capacity
- To establish and operate agencies or bureaux for the purpose of giving advice or assistance on problems of a monetary and/or social nature, to those in need
- To provide facilities for training in social service and for advancing the interest of the public in social work.

The main objectives and activities for the year continued to focus on providing a high level of care to existing service users whether they be children, families, adults or older people. In addition social workers employed

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by VSA continued to provide services to children and families and older people in the general community. The cost of this service is currently met from the Charities reserves.

Achievements and Performance

Over the past year the Charity has completed a major strategic review with the aim of strengthening its identity in the community and ensuring that the organisation is managed in the best and most cost effective way for the future. Over 1,000 stakeholders, including supporters, funders, service users and staff became involved in the strategic review. This has resulted in a new operating name, a new brand identity and a new corporate structure.

The Charity will operate as VSA and although individual societies such as Aberdeen Children's Society, AgeCare Aberdeen, Easter Anguston Farm, Linn Moor School, Richmondhill House and the St Aubin's project will retain their names they will not have their own charity numbers and logos. The new Charity logo to be launched in September 2006 will unify all the individual parts of the organisation under one charity registration and one logo.

The management structure of the Charity has been changed in order to improve on the quality of services given. There are three services directorates; children & family services, adult & community services and older people services. These directorates are supported by a development & governance directorate, a corporate services directorate and by communication and fundraising directorate. The Directors for each of these directorates were appointed during 2005/06 and were all in post by 31 March 2006. The governance structure has been changed with effect from April 2006 to reflect the new management structure with financial and audit matters being dealt with by the Corporate Services Committee.

Apart from starting to implement the findings of the strategic review during 2005 the Charity has continued to strive to provide the best of care to service users in the community.

Children & Family Services

VSA's Children and Family Services encompass Aberdeen Children's Society, Richmondhill House and Linn Moor School. Aberdeen Children's Society provides a range of services ranging from a playgroup at the Maisie Munro Children's Resource Centre which offers places to mainstream children and children with additional support needs to After School Clubs, Holiday and Saturday Fun Clubs.

Richmondhill House provides support and guidance to young parents where they are in danger of family breakdowns and when there is the possibility that their children may be taken into local authority care. A significant amount of refurbishment took place during this year with the remainder of the refurbishment to be completed during the next financial year.

Linn Moor School continues to develop its specialist services to young people, most of whom have very complex support needs. The education department of Linn Moor School has been working on new programmes of study for the 5 to 14 year old curriculums. The Scottish Qualifications Authority has also registered the school for the first time to undertake qualifications with the post 14 year old students. There has been major capital investment and upgrading in many areas of the school to facilitate multi disciplinary partnership working and to ensure a brighter environment for everyone that works and learns at the school.

Adult & Community Services

VSA's Adult and Community Services offers a range of resources that cover three broad service areas, namely, care homes, support services and carers services.

There are seven care homes which provide a range of residential support packages to people who experience a mental health problem such as dementia, schizophrenia and bipolar disorders.

Support services are community based services which are provided to a wide service user group covered by Mental Health. The services include Weekend Day Care, which is supporting carers of people with dementia,

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a Supporting People team who provide housing support to people with dementia, and 'Connect' VSA's mental health befriending scheme. VSA's farm at Easter Anguston is a resource used by adults with learning disabilities.

The Carers services operates from two main centres, the Carers Centre in Belmont Street, Aberdeen and the Young Carers centre which recently moved to refurbished premises in King St. VSA also operates smaller Carers centres in Stonehaven, Peterhead, Fraserburgh and Banff. VSA Carers service aims to work proactively and responsively with Carers, of which there are many thousands, who are unpaid and support relatives or friends in a caring role. Although the centres undertake some group work the majority of interactions are through a 'drop in' approach

Older People Services

The Older People Services includes providing care homes, housing with care and support, sheltered housing, supported housing and activity centres.

VSA has two residential care homes for older people in Aberdeen providing 72 bed spaces. The residential home at Fountville was closed once the new housing with care establishment at Broomhill Park in Aberdeen together with a new activity centre was opened in the autumn of 2005. Residents at Fountville were either transferred to Broomhill or relocated to accommodation more suitable for their needs. The Activity Centre is proving very popular in the community with over 390 members. All the homes benefit from the support of VSA's own Activity Organisers who involve residents in a wide range of interesting activities. Fountville is now being leased to the Council to assist them reorganise their care home portfolio. VSA has one other housing with care establishment.

Other Services

VSA's work with Volunteers reached a landmark of having 500 volunteering opportunities, giving a huge choice for anyone interested in volunteering. The Centre operating from Castle Street helps potential volunteers find their ideal volunteering role so that many organisations throughout the city benefit from the support and dedication of volunteers.

VSA continues its commitment to staff training and the training department offers an extensive programme of training courses.

The fundraising department has continued to get good support from businesses, community groups and individuals through out the year.

Financial Review

The Charity shows a deficit for the year of £573,000 compared to a surplus for the previous year of £1,859,000. This deficit is after recognising just over £400,000 in deferred income which represented prepaid tuition fees at Linn Moor School. During the year there was a considerable amount of refurbishment work undertaken at Linn Moor School and Richmondhill House amounting to around £230,000 with the vast bulk of expenditure being incurred at Linn Moor School in order to bring the property up to Care Commission standards.

The increase in energy costs has also had an impact on the financial outturn as long term agreements came to an end during the year and new long term contracts were negotiated.

During the year the development at Broomhill Park was completed. Broomhill Park is a facility that provides housing with care and support to forty one tenants. In addition there are two rooms offering a respite facility and an activity centre for use by VSA tenants and the wider community. The project cost in total just over £4 million with funding coming from Communities Scotland (£932,000), Community Fund, Lottery Board (£120,000) with legacies, donations and internal funding making up the balance of expenditure.

Despite the deficit VSA is in a strong financial position with just over £26 million in reserves, which have been boosted by £1.4 million of unrealised gains in the stock market. The valuation of the investment portfolio has fallen since the 31st March by around 4% as at 30th June 2006. Only £5.7 million of these reserves are unrestricted representing approximately four months operating expenditure.

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Principal Funding Sources

The principal funding sources for the Charity are currently by way of grant from Aberdeen City Council and Aberdeenshire Council and income from board charges. However Linn Moor School and Richmondhill House receive funding from local authorities throughout Britain depending on the client that is making use of the resource.

Investment Powers and Policy

Under the Memorandum and Articles of Association, the trustees have the power to make any investment for the benefit of the Charity but not for the avoidance of tax.

The trustees have regard to the liquidity requirements of operating the Charity and have a policy of keeping a level of funds available in an interest bearing account to meet short-term operational needs. The balance of funds is in a portfolio managed by the Charities appointed investment managers. The investment portfolio is managed on a discretionary basis. The fund is invested primarily to generate a minimum annual income from a balanced portfolio of UK and overseas equities and fixed interest securities. There is only one investment restriction and that is that the fund is not invested directly in tobacco companies. The fund follows a medium risk investment strategy and the performance is measured against the W M Constrained by Income Charity Universe benchmark.

Over the year to 31 March 2006, the income target of between £300,000 and £330,000 was achieved and the market value of the portfolio increased by 35%. The overall performance of the Fund was in line with benchmark set by the investment managers.

The financial statements at 31 March 2006 show an unrealised gain on investments of just over £1.4 million reflecting a fairly buoyant stock market. However as at 30th June 2006 the valuation of the portfolio had fallen to £9.8 million and consequently the unrealised gain on investments has also dropped.

Reserves Policy

The trustees have reviewed the reserves of the Charity in light of the main risks facing the organisation. The Charity has reserves of just over £26 million, made up of four different types of funds:

- Endowment funds held are known as permanent endowment funds as they have been earmarked by the donor to be held as capital with the Trustees having no power to convert the capital into income
- Restricted funds represent funds that are earmarked for specific purposes by the donors
- Designated funds represent unrestricted funds which have been earmarked by the Board for particular purposes
- Unrestricted funds represent funds that are not committed or invested in fixed assets and are expendable at the discretion of the Trustees in accordance with the charitable objects of the company

It is the aim of the Charity to retain a level of unrestricted funds of around £8 million, which are not committed or invested in fixed assets, representing approximately six months operating expenditure. Regular monitoring of the reserves will take place over the course of the next two years in attempt to achieve this target. Although reserves will be monitored regularly the Board will formally review the reserves policy on an annual basis.

In addition the Charity aims to maintain adequate reserves to:

- Provide protection against fluctuations in income from donations, grants and other sources
- Provide a major source of income to underwrite the cost of providing care services for people in need in the community; and
- Fund new services and capital expenditure such as the provision of housing with care to replace residential care homes for older people.

Plans for future periods

The main plan for the future is to continue the implementation of the strategic review. This will involve the launch of the new VSA brand identity in the autumn of 2006 with a variety of fundraising and promotional events.

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Internal systems and processes will be reviewed with a view to making them more efficient and effective for the future. This is likely to involve the upgrading of VSA's computer and telephone network so that there is better integration of all parts of the organisation. An Intranet is being developed as a resource to help staff access relevant and accurate information quickly and easily. The aim is to give all staff access to it whether at home or in the office environment. Other new computer systems to facilitate easier access to finance, human resources, payroll and training will be introduced.

VSA will also be reviewing its property portfolio with the aim of identifying and prioritising establishments that either need to be replaced or refurbished.

Trustees' responsibilities in relation to the financial statements

Company law requires the trustees to prepare financial statements that give a true and fair view, in accordance with applicable United Kingdom accounting standards, of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make sound judgements and estimates that are reasonable and prudent; and
- State whether applicable 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 appropriate to presume that the charity will continue in business.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enables them to ensure that the financial statements comply with the Companies Act 1985. The trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the company's directors, we certify that:

- So far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- As the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting of the charity.

By order of the trustees



N Esslemont (Chair)

August 2006

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Independent auditors' report to the members of Aberdeen Association of Social Service

Independent auditors' report to the members of Aberdeen Association of Social Services

We have audited the financial statements of Aberdeen Association of Social Services for the year ended 31 March 2006 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies therein.

Respective responsibilities of directors and auditors

The directors also act as trustees for the charitable activities of Aberdeen Association of Social Services. As described in the Statement of Trustees' Responsibilities the trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charitable company 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 transactions is not disclosed.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, and cash flows for the year then ended;
- and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh
13 September 2006

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Income and expenditure account for the year ended 31 March 2006

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Income (as per SOFA)	15,662		16,297	
Capital receipts	(1,003)		(1,440)	
Investment income	(596)		(627)	
Income		14,063		14,230
Expenditure (as per SOFA)	(15,765)		(13,257)	
Amortisation of capital receipts	343		255	
Expenditure		(15,422)		(13,002)
Operating (deficit) / surplus		(1,359)		1,228
Net investment income		596		627
Realised gain on sale of investments		190		4
(Deficit)/surplus for the financial year		(573)		1,859

All the above results are from continuing activities.

There is no material difference between the surplus for the financial year stated above and its historical cost equivalent.

Statement of total recognised gains and losses for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
(Deficit)/surplus for the financial year		(573)	1,859
Unrealised gain on investments	11	1,472	714
Total recognised gains for the year		899	2,573

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Statement of financial activities for the year ended 31 March 2006


	Note	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2006 £'000	As Restated 2005 £'000
Incoming resources							
Incoming resources from generated funds:							
Voluntary Income (donations, legacies)		286	0	1,272	0	1,558	2,647
Activities for generating funds (shops)		148	0	0	0	148	151
Investment income	9	596	0	0	0	596	627
Incoming resources from charitable activities:							
Board Charges	3	0	0	7,931	0	7,931	7,372
Revenue Grants	3	9	63	4,774	0	4,846	5,228
Training Income		0	121	240	0	361	131
Other Income		27	0	195	0	222	141
Total incoming resources		1,066	184	14,412	0	15,662	16,297
Resources expended							
Cost of generating funds							
Cost of generating voluntary income (fundraising & publicity)		145	0	195	0	340	251
VSA shop expenses		102	0	0	0	102	65
Investment management cost		54	0	0	0	54	42
Total cost of generating funds		301	0	195	0	496	358
Charitable expenditure							
Charitable activities:							
Children and family services	4	0	0	4,933	0	4,933	4,008
Adult and Community services	4	0	0	4,884	0	4,884	4,457
Older people services	4	0	0	3,956	0	3,956	3,056
Social work and community services	4	248	0	94	0	342	613
Financial and material aid	4	154	0	50	0	204	142
Training	4	17	283	234	0	534	391
Governance costs	5	213	0	0	0	213	81
Other resources expended	4	87	0	116	0	203	151
Total charitable expenditure		719	283	14,267	0	15,269	12,899
Total resources expended		1020	283	14,462	0	15,765	13,257
Net incoming resources/(resources expended)		46	(99)	(50)	0	(103)	3,040
Gain/(loss) on investments							
Realised		190	0	0	0	190	4
Unrealised	11	1,472	0	0	0	1,472	714
Net movement of funds		1,708	(99)	(50)	0	1,559	3,758
Fund balances at 1 April		3,969	526	20,498	12	25,005	21,247
Transfer		-	-	(55)	-	(55)	-
Fund Balances at 31 March		5,677	427	20,393	12	26,509	25,005

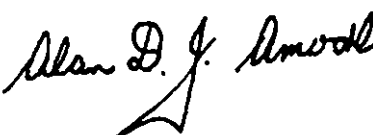
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Balance sheet as at 31 March 2006

	Note	2006 £'000	2006 £'000	2005 £'000	As Restated 2005 £'000
Fixed assets					
Tangible assets	10		12,705		11,820
Investments	11		10,254		7,592
			22,959		19,412
Current assets					
Stock	12	32		34	
Debtors	13	1,091		862	
Investments	14	2,499		5,000	
Cash at bank and in hand		1,543		1,441	
			5,165		7,337
Creditors: amounts falling due within one year	15	(1,456)		(1,744)	
Overdraft		(159)		-	
			(1,615)		(1,744)
Net current assets			3,550		5,593
Net assets	17		26,509		25,005
Reserves					
Endowment funds	16		12		12
Restricted funds					
- Capital receipts fund	16	10,586		9,926	
- Other funds	16	9,807		10,572	
			20,393		20,498
Designated funds	16		427		526
Unrestricted funds	16		5,677		3,969
Total funds			26,509		25,005

The financial statements on pages 9 to 28 were approved by the board of directors on 31 August 2006 and were signed on its behalf by:

Director 
N. ESSELMONT

Director 
A AMOORE

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Cash flow statement for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Net cash (outflow)/inflow from operating activities	18	(1,493)	1,238
Returns on investments and servicing of finance			
Dividends received		409	341
Interest received		187	286
Net cash inflow from returns on investments and servicing of finance	9	596	627
Capital expenditure and financial investment			
Receipts from sale of investments		2,210	1,842
Receipts from sale of tangible fixed assets		12	25
Payments to acquire investments		(3,297)	(1,771)
Payments to acquire tangible fixed assets		(1,622)	(2,862)
Capital receipts		1,003	1,440
Net cash outflow from investing activities		(1,694)	(1,326)
Management of liquid resources			
Net movement on money market deposits		2,637	(2,300)
Increase/(Decrease) in cash	19	46	(1,761)

Reconciliation of net cash flow to movement in net funds

	2006 £	2005 £
(Decrease) / Increase in cash in the year	(2,591)	539
Cash flow from increase in liquid resources	2,637	(2,300)
Movement in net funds in period	46	(1,761)
Net funds at beginning of period	1,676	3,340
Net funds at 31 March	1,722	1,579

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Notes to the financial statements for the year ended 31 March 2006

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, the Companies Act 1985 and the Statement of Recommended Practice – “Accounting and Reporting by Charities”, issued in March 2005. Where figures for 2005 have been restated in order to comply with the SORP then this is shown as “As restated”.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, with the exception of investments which are included at market value.

Incoming resources

Income is recognised in the period in which the company is entitled to receipt and the amount can be measured with reasonable certainty. Income is allocated directly to the relevant category on receipt. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period. Legacies are included when the money is received. Grants are recognised in the financial statements in the year in which they are receivable.

Resources expended

Resources expended are included in the Statement of Financial Activities (SOFA) on an accruals basis, inclusive of any VAT which cannot be recovered. This is recognised when there is a legal or constructive obligation to pay for expenditure. All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly and others are apportioned in line with budgeted allocations.

Costs of generating funds comprise those costs directly attributable to organising fundraising events, administering donations and legacies received, and in managing the charity shops.

Charitable expenditure comprises those costs incurred by the charity in delivering activities and services for its service users. It includes both costs that can be allocated directly to such activities and indirect costs necessary to support them.

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

No grants to individuals or families are made from VSA funds.

Capital receipts

All capital receipts are credited in full to restricted incoming resources in the SOFA in the year of receipt. In the income and expenditure account, capital receipts are credited to restricted funds and amortised over the lives of the related fixed assets. Refer to note 2 for further details on the treatment of capital receipts and related amortisation.

Tangible fixed assets

Individual fixed assets costing £5,000 or more are capitalised in the balance sheet at cost. Land is not depreciated. Depreciation is provided in the year in which the fixed assets are brought into use. The rates of depreciation used are calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Buildings	20 – 50 years
Motor vehicles	5 years
Furnishings and equipment	5 years

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Fixed asset investments

Investments are valued at market value at the balance sheet date.

Investment income

As from 1 April 2005 investment income and gains on investments are recognised as unrestricted funds. Prior to this date some of the income was recognised through restricted funds. Investments are included in the financial statements at market value.

Realised and unrealised gains and losses

Realised gains and losses are applied to the income and expenditure account in the year they occur. Unrealised gains and losses are held over and applied to the income and expenditure account only when they become realised gains and losses through sale of the investments involved.

Deferred Income

Income in respect of prepaid tuition fees at Linn Moor School were recognised in the financial year ended 31 March 2006, leaving a nil balance on the deferred income account at 31 March 2006.

Stocks

A valuation of farm stocks is carried out by an independent valuer. Stocks are stated in accordance with this valuation, which is at cost.

Operating leases

Costs in respect of operating leases are charged to the SOFA as incurred over the lease term.

Pension

The company has adopted FRS17 'Retirement Benefits' in the accounts. The company contributes to two pension schemes, The Pension Trust and Scottish Teachers Superannuation Scheme. The Pension Trust is a defined contribution scheme and the pension costs charged to the income and expenditure account are the contributions payable in the year. Scottish Teachers Superannuation Scheme is a defined benefit scheme, but as the Aberdeen Association of Social Service's share of the underlying assets and liabilities cannot be identified the contributions to the scheme, as advised by the Scottish Office Pension Agency, are accounted for as if it were a defined contribution scheme and are charged to the income and expenditure account so as to spread the cost of pensions over the period during which the company benefits from the employees' services.

Funds

Endowment funds represent funds earmarked by the donor to be held as capital. The incoming interest on endowment funds is treated as restricted income.

Restricted funds represent funds earmarked either by the donor or by the terms of an appeal for particular projects.

Designated funds are unrestricted funds earmarked by the Board for particular projects. The Board review the designation of funds on an annual basis.

Unrestricted funds are funds which can be used in accordance with the charitable objects of the company at the discretion of the directors.

Taxation

The charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The charity is registered for VAT. Accordingly, all expenditure is recorded inclusive of any VAT incurred as the charity is only able to recover all the VAT incurred on farm and shop expenditure. In these circumstances the cost is recorded net of VAT.

Irrecoverable VAT

Any irrecoverable VAT is charged to the SOFA where appropriate.

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2 Treatment of capital receipts and related amortisation

Under the Statement of Recommended Accounting Practice – Accounting and Reporting by Charities (SORP 2005), the income and expenditure account on page 9 should reflect the statement of financial activities (SOFA) on page 10. Capital receipts are now recognised in full in the SOFA in the year of receipt but are not included in the Income & Expenditure Account.

The directors do not consider it appropriate to include the capital receipts in the income reported in the income and expenditure account. These receipts do not reflect the revenue income of the charity and the directors consider that inclusion of these receipts would be misleading for the majority of the charities stakeholders. The capital receipts have therefore been excluded from the income reported in the income and expenditure account.

Similarly, the directors consider that it should credit the amortisation of the capital receipts in the operating expenditure of the company to offset the related depreciation charge, in accordance with SSAP 4 "Accounting for government grants".

Hence, the SOFA includes the capital receipts and excludes the amortisation of these receipts over the lives of the related fixed assets.

A reconciliation between the net movement in funds reported in the SOFA and the (deficit)/surplus for the year reported in the income and expenditure account is given below:

	2006 £'000	2005 £'000
Net movement in funds per SOFA (page 10)	1,559	3,758
Capital receipts	(1,003)	(1,440)
Amortisation of capital receipts	343	255
Unrealised gain on investments	(1,472)	(714)
(Deficit)/Surplus for the year per income and expenditure account (page 9)	(573)	1,859

**Aberdeen Association of Social Service
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3 Analysis of Board Charges and Revenue Grants

	Unrestricted	Designated	Restricted	Endowments	TOTAL	TOTAL
					2006	2005
	£'000	£'000	£'000	£'000	£'000	£'000
BOARD						
Children etc	-	-	4,050	-	4,050	3,623
Adult etc	-	-	1,680	-	1,680	1,453
Older People etc	-	-	2,201	-	2,201	2,296
Total	-	-	7,931	-	7,931	7,372
REVENUE						
Children etc	-	6	445	-	451	430
Adult etc	-	-	3,068	-	3,068	3,135
Older People etc	-	-	1,065	-	1,065	1,107
Social Work etc	9	-	190	-	199	142
Financial etc	-	-	-	-	0	0
Training	-	57	-	-	57	80
Lottery Fund	-	-	6	-	6	0
ACVO & NOSCO	-	-	-	-	0	334
Total	9	63	4,774	-	4,846	5,228

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4 Analysis of direct charitable activities and support for charitable activities

	Children & Family	Adult & Community	Older People	Social Work and Community	Financial & Material Aid	Training	Other Resources	2006 TOTAL	2005 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Direct activities:									
Salaries	3,995	3,517	2,510	265	12	447	125	10,871	10,181
Property Costs	442	547	409	0	0	6	0	1,404	848
Supplies & Services	247	439	317	0	159	69	9	1,240	1,208
Farm Expenditure	0	95	0	0	0	0	0	95	75
Amenities	28	17	11	0	0	0	0	56	61
Total direct activities	4,712	4,615	3,247	265	171	522	134	13,666	12,373
Support cost:									
Management	65	90	71	32	14	5	0	277	36
Finance & IT	39	55	43	19	8	3	0	167	9
HR	21	30	24	11	5	2	0	93	4
General	20	28	22	10	4	1	0	85	3
Property	9	13	10	5	2	1	0	40	2
Depreciation	67	53	539	0	0	0	69	728	391
Total support costs	221	269	709	77	33	12	69	1,390	445
Total	4,933	4,884	3,956	342	204	534	203	15,056	12,818

Total salary costs include agency staff costs. Note 7 Employee information only includes staff employed directly by VSA.

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5 Analysis of governance costs

	2006 £'000	2005 £'000
Salary cost	147	65
Audit fees	21	12
Consultancy fees	33	4
Other costs	12	-
	213	81

6 Directors' emoluments

The directors of the Board received nil emoluments (2005 : £nil) and were not paid or reimbursed for expenses (2005 : £nil) during the year.

£ 4,452 (2005 : £4,452) was incurred during the year for the purchase of insurance to indemnify the directors against the consequences of any neglect or defaults.

7 Employee information

The average monthly number of persons employed by the company during the year was 691 (2005 : 665). There were no staff for whom the company acted as the formal employer on behalf of other voluntary organisations (2005 : 6).

	2006 £'000	2005 £'000
Wages and salaries	9,388	8,439
Social security costs	792	706
Other pension costs (Note 23)	271	255
Total direct costs of employment	10,451	9,400

There were two employees (2005 : one) whose emoluments for the year were greater than £50,000 and fall between the banding £50,000-£59,999 and £70,000-£79,999. (2005 : £60,000 - £69,999). The employees are members of The Pension Trust and contributions amounting to £3,774 and £5,185 (2005 : £4,800) were made to their pension scheme during the year.

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8 Operating (deficit)/surplus

Operating(deficit)/ surplus is stated after charging/(crediting):

	2006 £'000	2005 £'000
Auditors' remuneration - audit	21	12
- other services	0	2
Depreciation	728	391
Amortisation of capital receipts	(343)	(255)
Gain on sale of tangible assets	(4)	(18)

9 Investment income

	2006 £'000	2005 £'000
Income from listed fixed asset investments	409	341
Other interest receivable and similar income	187	286
	596	627

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10 Tangible fixed assets

	Freehold Heritable property	Motor vehicles	Furnishings and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2005	10,902	289	1,191	2,872	15,254
Additions	128	102	-	1,391	1,621
Disposals	-	(89)	(8)	-	(97)
Transfers	2,977	-	1,286	(4,263)	-
At 31 March 2006	14,007	302	2,469	-	16,778
Depreciation					
At 1 April 2005	2,254	199	981	-	3,434
Charge for the year	285	69	374	-	728
Disposals	-	(86)	(3)	-	(89)
At 31 March 2006	2,539	182	1,352	-	4,073
Net book amount					
At 31 March 2006	11,468	120	1,118	-	12,705
At 31 March 2005	8,648	90	210	2,872	11,820

There is a standard security held by Communities Scotland over Woodgrove to the value of £489,564, plus 4% interest over base rate from the date of default. The primary condition is that a service shall operate on an agreed basis in the subjects for a period of 10 years. This service commenced on 1 February 1997.

There is a standard security held by Communities Scotland over Cloverfield Grove to the value of £875,546 plus 4% interest over base rate from the date of default. The primary condition is that a service shall operate on an agreed basis in the subjects for a period of 10 years. This service commenced on 18 April 2001.

There is a standard security held by Communities Scotland over Broomhill Park to the value of £882,000 plus 4% interest over base rate from the date of default. The primary condition is that a service shall operate on an agreed basis in the subjects for a period of 10 years. The service commenced on 9 September 2005.

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11 Fixed asset investments

	£'000
Market value at 1 April 2005	7,592
Acquisitions at cost	3,297
Disposals at cost or opening market value	(2,210)
Unrealised gain on investments	1,472
Net movement in cash held awaiting investment	103
Market value at 31 March 2006	10,254
Historical cost at 31 March 2006	7,440

Investments at market value include:

	2006	2005
	£'000	£'000
UK listed investments		
- Fixed interest securities	1,692	1,617
- Equity shares	5,404	4,325
- Investment trusts and unit trusts	2,820	1,415
Cash held in the UK awaiting investment	338	235
	10,254	7,592

No investment amounted to greater than 5% of the total market value of investments at 31 March 2006 (2005 : nil).

12 Stocks

The amounts attributable to different categories are as follows:

	2006	2005
	£'000	£'000
Livestock	18	14
Crops	2	3
Seeds, manure and feeding stuffs	8	7
Other consumables	4	10
	32	34

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13 Debtors

	2006 £'000	2005 £'000
Amounts falling due within one year		
Trade debtors	749	585
Other debtors	126	17
Prepayments	111	173
Amounts falling due after more than one year		
Other debtors	105	87
	1,091	862

14 Current asset investments

Current asset investments relate to bank balances held on a 30 day notice account.

15 Creditors – amounts falling due within one year

	2006 £'000	Restated 2005 £'000
Trade creditors	318	249
Other creditors	140	106
Taxation and social security	281	242
Accruals and deferred income	717	1,147
	1,456	1,744

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16 Analysis of funds

	Balance at 1 April 2005 £'000	Incoming Resources £'000	Resources Expended £'000	Gain on Investments £'000	Transfers £'000	Balance at 31 March 2006 £'000
Unrestricted funds:						
General	3,969	1,066	(1020)	1662	0	5,677
Designated funds:						
Repairs, removals and improvements	390	-	-	-	-	390
Staff training	136	184	(283)	-	-	37
	526	184	(283)	-	-	427
Restricted funds:						
Capital receipts	9,926	1,003	(343)	-	-	10,586
Other funds	10,572	13,409	(14,119)	-	(55)	9,807
Total restricted funds	20,498	14,412	(14,462)	-	(55)	20,393
Endowment funds:						
James Mackie Bequest	3	-	-	-	-	3
Coutts trust fund	1	-	-	-	-	1
Thomson trust fund	1	-	-	-	-	1
Burton memorial fund	2	-	-	-	-	2
Oldfield trust fund	5	-	-	-	-	5
	12	-	-	-	-	12
Total funds	25,005	15,662	(15,765)	1,662	(55)	26,509

The transfer relates to the transfer of net assets to ACVO.

**Aberdeen Association of Social Service
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17 Analysis of net assets between funds

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Fund balances at 31 March 2006 are represented by:-					
Tangible fixed assets	2,078	-	10,627	-	12,705
Investments	3,599	427	6,216	12	10,254
Current assets	-	-	5,165	-	5,165
Current liabilities	-	-	(1,615)	-	(1,615)
	5,677	427	20,393	12	26,509

**18 Reconciliation of operating (deficit)/surplus for the year to net cash
inflow from operating activities**

	2006 £'000	2005 £'000
Operating surplus for the year	(1,359)	1,228
Depreciation	728	391
Amortisation of capital receipts	(343)	(255)
Gain on sale of tangible assets	(4)	(18)
Decrease/(Increase) in stocks	2	(3)
Increase in debtors	(229)	(77)
(Decrease) in creditors	(288)	(28)
Net cash (outflow)/inflow from operating activities	(1,493)	1,238

**Aberdeen Association of Social Service
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19 Analysis of changes in net funds

	At 1 April 2005	Cash flows	At 31 March 2006
	£'000	£'000	£'000
Cash at bank and in hand	1,441	(57)	1,384
Cash held in the UK awaiting investment (Note 11)	235	103	338
	1,676	46	1,722

20 Financial commitments

	2006	2005
Capital expenditure	£'000	£'000
Approved by the directors and contracted for	57	1,600

21 Member's liability

Member's liability is limited by guarantee not in excess of £1 per member.

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22 Heritable property

The company owned, at 31 March 2006, the following subjects in Aberdeen:-

Cloverfield Grove, Housing With Care for Older People
Broomhill Park, Housing with Care for Older People
Forestgait, Residential Care for Older People
Fountville, Residential Care for Older People
Ruthrieston Home, Residential Care for Older People
Millbank House, 139 Hardgate, Supported Accommodation for Older People
Woodgrove, Nursing Care for Older People with Dementia
Sheltered Housing Flats – 1 – 20 Forestgait Lodge, Kings Gate/Richmondhill Place
Special Purpose Housing – Flats 1 – 5, 56 Loanhead Terrace
Woodside Leisure Centre, Clifton Road
Richmondhill House, Richmondhill Place
Children's Centre, Richmondhill Place
Linn Moor Residential School, Peterculter
2 staff houses – Linn Moor School, Peterculter
156 Bon Accord Street, Aberdeen, supported housing for the elderly (sold in May 2006)
Ardeir House, Mannofield, supported housing for the elderly

VSA Shops:-

- 206 King Street
- 82 King Street
- 431 George Street
- Gallowgate
- 38 - 45 Castle Street

Easter Anguston, Peterculter:-

- buildings and land
- 1 staff house
- Crichton House
- 4 Crown Crescent, Peterculter
- 40 Crown Crescent, Peterculter
- Craigton Grove

St Aubin's Project:

- 87 South Anderson Drive
- 318 Great Western Road
- Northfield Lodge

These properties are held in the balance sheet at cost.

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23 Pension costs

During the year, the company contributed to two pension schemes for certain employees. The details of these schemes are shown below:

a) The Pensions Trust

This is a defined contribution scheme. The assets of this scheme are held separately from those of the company. A charge of £243,236 (2005 : £230,483) has been made in the year. Contributions totalling £20,091 (2005 : £19,149) were payable to the pension fund at 31 March 2006 and are included in creditors.

b) Scottish Teachers Superannuation Scheme

This is a defined benefit scheme which is externally funded and contracted out of State Earnings-Related Pension Scheme. The assets of the scheme are in a separate trustee-administered fund. It is not possible to identify each employer's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme, the cost recognised in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 1996. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation interest rate) and the rates of increase in salary and pension. In relation to the past liabilities the financial assumptions were derived from market yield rates prevailing at the valuation date. It was assumed that the valuation rate of interest would be 8.5% per annum, salary increases would be 6.5% per annum and pensions would increase by 5% per annum.

Surpluses or deficits which arise at future valuations may impact on the company's future contribution commitment. At the valuation date, the actuarial value of the assets of the scheme was £6,890 million and the value of the liabilities was £7,120 million leaving a balance of liability of £230 million. To meet this liability contributions were increased by 0.25% to 13.4% from 1 April 2003 (employee 6%, employer 7.4%).

The next formal actuarial valuation was due as at 31 March 2001. This valuation took place in November 2005, however a full report has not yet been published. The Government Actuary has produced an interim report that confirmed that, from 1 October 2003, the employers' contributions rate increased by 5.1%, from 7.4% to 12.5%. As was anticipated 4.75% of the increase is attributable to the Scheme assuming responsibility for meeting all of the costs of teachers' pensions, including pensions increase. The balance of the increase is attributable to changed demographic factors, such as increased longevity.

The total STPS pension cost for the company was £27,949 (2005: £24,198). This includes £2,705 (2005 : £2,016) outstanding contributions at the balance sheet date. The contributions rate payable by the company was 12.5% of pensionable salaries.

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24 Related Party Transactions

	2006 £'000	2005 £'000
Income		
Provision of social work, gardening and cleaning services to Castlehill Housing Association Ltd	22	21
Provision of office space to ACVO	22	12
Expenditure		
Rent paid to Castlehill Housing Association Ltd	34	37

All income received by VSA Charitable Trust is banked into VSA's bank account and amounted to £140,485 in 2006 (£97,315 : 2005). VSA makes payments on behalf of VSA Charitable Trust which amounted to £11,008 in 2006 (£10,761 : 2005).