

**METHODIST HOMES REPORT
AND FINANCIAL STATEMENTS
31 March 2019**

**Charity Registered No. 1083995
Company Registered No. 04043124**

METHODIST HOMES CONTENTS

	Page(s)
Board of Directors' Report including Strategic Report	3-18
Board, Officers and Advisors	19-21
Independent Auditors' Report	22-24
Consolidated Statement of Financial Activities for the year ended 31 March 2019	25
Consolidated Statement of Financial Position as at 31 March 2019	26
Statement of Financial Position (Parent Company) as at 31 March 2019	27
Consolidated Cash Flow Statement for the year ended 31 March 2019	28
Notes to the Financial Statements	29-72

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

INTRODUCTION TO ANNUAL REVIEW

I am pleased to present Methodist Homes (MHA) Report and Financial Statements for 2018/19.

During the last twelve months, I have had the pleasure of visiting a further 22 of MHA's Homes and Schemes, meeting many wonderful residents, members, staff and volunteers and seeing first-hand the work we do to support older people. We do wonderful work that is particularly vital in these difficult times for the country. State support for older people is being steadily reduced in housing, Care Homes and in the community - at the very time that the need is increasing due to our aging population. So it is even more important that we play our part in enabling as many people as we can to live comfortable and fulfilled lives.

MHA was founded 75 years ago by the Methodist Church, fulfilling a Christian duty to care for all people no matter their faith or background. Today we serve over 18,500 older people across our 90 Care Homes, 70 Retirement Living communities and 62 Live at Home Schemes supported by 7,667 staff and 4,105 volunteers. Our founders can be proud of MHA's work today except I am sure they would be saying that we should do more! And there is much more to do.

One area which makes MHA's work differ from others is the support we give through our Chaplaincy service. Chaplains are available to residents, families and staff in all our Care Homes and Retirement Living Schemes and we have been looking at how we can extend this into our Live at Home services, making sure we truly care for the mind, body and spirit of all the people we support.

We have launched our five year strategy in 2019 and it is important for the success of this strategy that we continue on a firm financial footing. We have undertaken a review of our fixed assets during the 2018/19 financial year as part of our continuing drive to ensure we have the money available to enable us to provide real quality of care. These Financial Statements show we made a net income in 2018/19 of £9.8m (2018: £15.9m). Despite this we ended the year with a greatly improved cash position, largely due to the completion of a number of property sales.

Our new five year strategy launched in 2019 will set the direction for our services for the next five years and beyond. The Board is committed to ensuring that our borrowing levels are kept at a sustainable level, maintaining a sound financial footing to take the Charity forward into this next phase.



John Robinson
Chair of MHA Board

METHODIST HOMES

BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT

31 MARCH 2019

The Trustees of Methodist Homes (MHA) present their report and financial statements for MHA for the year ended 31 March 2019. The trustees confirm that the annual report and financial statements of the Charity comply with current statutory regulations, the requirements of the Charity's governing document and the provisions of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2015).

1. STRATEGIC REPORT

Objectives and Activities

Who we are

MHA is an award-winning Charity providing care, accommodation and support services for older people throughout England, Scotland and Wales. We are one of the most well-respected care providers in the sector, providing services to older people since we were set up in 1943.

As well as residential, specialist dementia and nursing care, we provide community-based services through our Live at Home Schemes. We also support people to live independently in their own home in our Retirement Living Schemes.

MHA includes the subsidiaries MHA Auchlochan, our Retirement Living village in Scotland; Methodist Homes Housing Association Ltd, our registered social landlord; Silk Healthcare Holdings Ltd and its two subsidiaries Silk Healthcare Ltd and Swiftbuild Properties Ltd. As at the 31 March 2019 the net assets and business undertaken by Silk Healthcare Holdings Ltd and its two subsidiaries were transferred up into the parent company MHA. The intention is during 2019/20 for Silk Healthcare Holdings Ltd and its two subsidiaries to be formally liquidated followed by an application to strike them off the Companies House Register.

Activities for achieving objectives, now and in the future

The MHA Board and Leadership Team continue to plan and build a future for the Charity so it can deliver its ambition to deliver more and better forms of support and life enhancing services for even greater numbers of older people. In doing this, MHA recognises it is building on the foundations of all that has been achieved in past years and, as has so often been demonstrated in MHA's history, that ambition serves as a challenge and an inspiration.

Under the guidance of a new Chair and Chief Executive a strategic review process was undertaken during 2018/19 and was launched on the 2nd of April 2019. The refreshed strategy builds on MHA's 75 year history in serving the needs of older people; the principles that have served MHA and older people so well over the last 75 years remain central. These are that MHA is a caring Christian based organisation. It prioritises, operates and grows with a view to the long term; the quality of its services are of utmost importance and in order to maintain this we strive to be the employer or choice within our sector.

Mission

As a Charity, our mission is to enable people to live later life well.

Vision

By 2024 we will have increased the quality, impact and reach of our services by connecting our communities and realising our potential as One MHA.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Activities for achieving objectives, now and in the future (continued)

Values

Inspired by our Methodist roots, our values are to:

- Respect every person, treating them with dignity.
- Nurture mind, body and spirit.
- Inspire the best in each other.

MHA currently supports over 18,500 individuals:

- 4,499 older people living in 90 Care Homes, either in residential, nursing or specialist dementia care.
- 3,004 older people living independently in a range of purpose-built apartments in 70 Retirement Living Schemes with flexible support and personalised care.
- 11,075 older people supported through 62 community-based Live at Home services, providing them with services such as exercise and activity sessions, trips out, befriending services and lunch clubs.

Our services are delivered by 7,667 dedicated staff and enhanced by the commitment of 4,105 volunteers.

Longer term, we aim to help and support additional older people through growing our services across more communities. We will continue to reinvest our net income in expanding our operation. Our aim is to positively influence the lives of older people across England, Scotland and Wales.

We are working to raise our profile and aim to become recognised as the leading Charity for older people to lead the way in shaping policy and being the voice of older people. We aim to lead the 'Faith in Ageing' movement across all faiths.

The issue of combatting loneliness and isolation and its impact on older people is at the heart of our work. In 2018/19 we continued to explore ways of broadening our reach to support our ambitious plans and to give us the platform from which we can use our practical experience to influence wider society and policy makers, for the benefit of older people in general.

We measure our success in terms of the number of older people who benefit from our services, our resident satisfaction survey results and the quality of our services, all of which demonstrate how we are providing the right services, and in the right way, to support older people.

In 2018/19, MHA's overall satisfaction score in the independent 2018 'Your Care' Rating survey for Care Homes was 97% (2017/18: 96%). By the end of 2018/19, 91% (2017/18: 87%) of Care Homes and Retirement Living Schemes inspected by the Care Quality Commission in England, the Care Inspectorate Wales and the Care Inspectorate in Scotland were rated as 'good' or 'outstanding'.

To find out more about our work, visit www.mha.org.uk

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Public Benefit

The Board has due regard of the Charity Commission guidance on public benefit, in particular the requirement that public benefit can no longer be presumed but must be demonstrated. We are confident in our role as a Charity delivering services to the public and meeting the Charity Commission's public benefit requirements now and into the future.

MHA aims for the highest standards in all its fundraising activities. We are registered with the Fundraising Regulator and are committed to complying with our fundraising promise. MHA's objective is to exceed the standards set by both the Fundraising Regulator and the Institute of Fundraising. We make sure our fundraisers, volunteers and any third party agencies comply with fundraising regulations and keep the fundraising promise for our supporters. MHA does not carry out telephone or door to door fundraising. All donations are used to support the life-enhancing work that MHA provides for older people.

MHA's person-centred care recognises each resident and member as a unique individual and addresses their own spiritual and physical needs, with both reassurance and support. Our services are open to all, as demonstrated by our Care Home residents being broadly split 60:40 into those that are fully self-funded and those that are partially or fully funded by the Local Authority or the NHS.

Our Care Homes, Retirement Living communities and Live at Home Schemes not only draw from our diverse communities but are diverse themselves. Opportunities are made available for all individuals to develop and practise their faith as they feel appropriate. Whilst our work is inspired by the Christian faith, we have always welcomed people from all religions or belief traditions. We encourage residents to maintain links with their own faith communities should they wish to do so.

For many residents, MHA will provide them with their last home. Our chaplains have a particular role in helping residents and their relatives approach their final years, hopefully with a sense of acceptance, peace and fulfilment.

MHA aims to support and care for people living with dementia with understanding and expertise. We focus on the individual needs of our residents with our person-centred approach and make sure everyone is able to lead a fulfilled and satisfying life.

Building on last year's initiatives, MHA has implemented a robust supplier qualification process when tendering new opportunities. Work is underway to apply this assessment to existing suppliers. MHA will exclude suppliers who are unwilling to adopt legal obligations and the ethical position MHA is working towards. Critical supply chains remain within construction and temporary labour and we are actively monitoring suppliers in these categories. We are investing in robust technologies to support tendering, contract and supplier management and will use these technologies to help in our efforts to manage, educate and support our suppliers so that together we can drive out modern slavery from our supply chains.

MHA is fully committed to equality. We pay men and women equally for the same role.

The gender pay gap shows the difference in average pay between all men and women in the workforce. MHA's analysis is very positive with a very small gap.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Public Benefit (continued)

MHA's gender pay gap details are:

- The mean average gender pay gap is 12.5%.
- The median average gender pay gap is 4.6%.
- The mean average gender bonus gap is 3.5%.
- The median average gender bonus gap is 0%.
- 5.4% of male colleagues received a bonus.
- 8.1% of female colleagues received a bonus.

Men are slightly under-represented in the two lowest quartiles and slightly over-represented in the upper quartiles. MHA employ significantly more women than men, almost a 1:6 ratio which results in reasonably significant fluctuations from year to year.

MHA has a good record of commitment to equality and development of our people which we will continue.

Furthermore, MHA pays the real Living Wage for all as a minimum and this will have a positive impact of our gender pay gap going forward.

Significant Activities

The significant charitable activities undertaken are:

- i. Care Homes - MHA runs 90 residential, dementia and nursing Care Homes offering 24-hour person-centred care and support for 4,499 residents in specially designed accommodation. www.mha.org.uk/care-homes.
- ii. Retirement Living - MHA runs 70 Retirement Living communities being the home of 3,004 people across England, Scotland and Wales www.mha.org.uk/retirement-apartments.
- iii. Live at Home - these 62 community-based schemes provide practical and social support to 11,075 older people living in their own homes, promoting independence and wellbeing through clubs, activities, and information and signposting services. www.mha.org.uk/community-support.

2018/19 Achievements and Performance

In 2018, MHA marked its 75th anniversary by continuing to invest in services which provide support and care to older people. Additionally, work started on a new strategy for MHA to take the Charity into the next chapter of its life. The strategy was completed in March 2019 and launched to the Charity in April 2019.

In 2018/19 MHA expanded its care services by:

- Welcoming residents to Oak Manor Care Home at Shefford, Bedfordshire, now providing care for 64 residents.
- Residents continued to move into the new 41 place dementia care unit at Hall Grange, with full capacity being reached early in 2019.
- Officially opening the 85-place Care Home Montpelier Manor in Stainton, Middlesbrough. Former Emmerdale actor John Middleton, who MHA supported in his role as Ashley Thomas when the character was diagnosed with dementia, performed the opening ceremony.

METHODIST HOMES BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT 31 MARCH 2019

2018/19 Achievements and Performance (continued)

The quality measure of care in our Homes and Schemes as inspected by the independent Care Quality Commission (CQC) in England, the Care Inspectorate Wales and Scotland's Care Inspectorate means 91% of our inspected services are rated as 'good' or 'outstanding'.

Fitzwarren House and Briar Hill House Care Homes became the latest to be rated as 'outstanding' by the care regulator for England, the Care Quality Commission. In addition, Starr Hills Care Home retained its 'outstanding' status. In total, MHA has six Homes classed as 'outstanding' or equivalent by care regulators.

We achieved a 97% overall resident satisfaction rating in the independent 'Your Care' Rating survey.

At Hall Grange Care Home in Croydon, work started on reclaiming a seven-acre site behind the Home. This was once the garden of the Rev. William Wilks, former Secretary of the Royal Horticultural Society and creator of the world famous Shirley Poppy. The garden is known as 'The Wilderness' and is being transformed with the help of grants from the Heritage Lottery Fund and the Garfield Weston Foundation. This will eventually mean it is not only accessible to Hall Grange's residents but also open to the local community.

As an employer, MHA needs to make sure it continues to attract a high calibre of person with the right attributes and values to care for our residents and members. To enable MHA to do that, the Board agreed to introduce the Real Living Wage as a minimum for all staff and increase the pay rates for nurses from 1 April 2018. The Board renewed that commitment to pay the Real Living Wage as a minimum from 1 April 2019. We believe that improving pay and benefits will enable us to attract and retain a committed team of colleagues for the benefit of residents within our Homes and Schemes. We know that the quality of care and residents' wellbeing is positively impacted when we are able to provide continuity of carers.

We have continued to develop our innovative national music therapy programme. Our award-winning in-house team of trained music therapists deliver weekly one-to-one and group sessions for residents living with dementia. MHA currently employs 26 music therapists, making it the largest employer of music therapists working with older people living with dementia in the country.

In 2018/19, we provided music therapy in our 64 Care Homes that have specialist dementia care with 812 residents receiving one-to-one sessions and a total of 10,308 one-to-one, group and open music therapy sessions being held.

MHA's community-based Live at Home Schemes continue to expand to support more older people who live independently in their own home. The 62 schemes now support 11,075 older people through a wide variety of activities aimed at tackling loneliness and social isolation.

Four new Schemes opened in Burton upon Trent, Uttoxeter, Trafford and Enfield. The community hubs in Huddersfield, Barnstaple, Banbury, Guisbrough and Swindon became full Live at Home Schemes. In addition, funding was secured to expand services in a number of existing Schemes from local authorities, Clinical Commissioning Groups (CCG), trusts and Lottery funding.

METHODIST HOMES

BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT

31 MARCH 2019

2018/19 Achievements and Performance (continued)

Leeds City Council and the local CCG gave funding to the Schemes in the city. Bradford received Big Lottery funding to develop its services and reached the milestone of becoming the first Scheme to support over 1,000 older people.

Members at all Live at Home Schemes are encouraged to be actively involved in the day-to-day running of the scheme, helping agree on activities and events.

Recent developments at Wellesley Court in Waterloo, Mickle Hill in Pickering and Nethanvale at Auchlochan Garden Village in Scotland continue to develop vibrant communities as properties become occupied.

MHA continues to work closely with the Association of Retirement Care Operators (ARCO) – of which we are a founding member – to improve the clarity and quality of materials provided to prospective residents in our Retirement Housing. We are delighted that all our schemes assessed so far against the ARCO consumer code are compliant.

We have updated our privacy notice in line with GDPR regulations, which came in to force in May 2018.

The retirement of MHA's Director of Care Homes gave us the opportunity to review our Operational Directorates and how they are managed. As a result, MHA restructured its Leadership Team and introduced the new positions of Director of Property Services and Director of Operations in 2018/19.

You can read more about MHA's work at www.mha.org.uk or by following us at www.facebook.com/MethodistHomes and on Twitter @MethodistHomes. In addition, many of our Homes and Schemes have their own Facebook and Twitter accounts.

The following KPI's illustrate the MHA settings maintained:

	2019	2018
Number of Care Homes	90	90
Number of Care Home Places	4,876	4,793
Number of Retirement Living Communities	70	70
Number of Retirement Properties Served	2,827	2,862
Number of Live at Home Schemes	62	57(restated)
Number of Supported Older People in Live at Home Schemes	11,075	10,588
Volunteer Engagement at Live at Home Schemes	2,572	2,596

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Future Developments

MHA's new strategy will bring together its services to work more effectively and efficiently to ensure the MHA Group continues to meet the needs of its residents and members.

Over the next five years we will focus on delivering our four new Strategic Objectives.

We want to make sure our services work seamlessly together at the heart of the communities we serve. Continuing to raise our standards and the quality of care we offer, demonstrating consistency across all we do and campaigning for what matters most to older people.

We will continue to innovate in our services and efforts to improve later life, not only with our core services but also the life enhancing ones such as music therapy and chaplaincy.

Financial Review

The Statement of Financial Activities shows total incoming resources of £245,759,000 (2018: £229,430,000), a 7% increase on the previous financial year which is largely a result of increased charitable activities within the Care Homes and Retirement Living.

The surplus generated by our Care Homes has benefitted from continuing high occupancy levels, robust average weekly fees and cost benefits achieved through procurement savings. As with our competitors, high turnover in front line staff, particularly Nurses remains one of the key challenges for MHA. Another key challenge is the pressure on margins due to continuing local authority and NHS austerity.

We have been investing in developing vibrant communities within Retirement Living settings which deliver the services that our residents desire. The flexibility we offer in our terms, and the option of renting, buying, or a combination, are key to the service.

We are grateful for the generous donations received of £5,071,000 (2018: £4,931,000) which have contributed towards:

- Providing chaplaincy services in all our residential services.
- Providing music therapy in our dementia care services and reflexology in all our care services.
- Underpinning the Live at Home services.
- Contributing towards the capital costs of our new and existing services.

METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019

Financial Review (continued)

The net increase in funds of £9,898,000 is added to the total balances brought forward of £276,992,000.

Key Performance Indicators for the group		
	2018/19	2017/18
	Actual £'000	Actual £'000
Total income	245,759	229,430
Operating costs excluding exceptional costs	233,770	211,161
Exceptional costs	2,174	2,322
Surplus for the year (after investment gains and losses)	9,815	15,947
<i>Service users capacity</i>	Number	Number
Care Homes	4,876	4,793
Number of Retirement Living Properties	2,827	2,862
Community services	11,075	10,588
<i>Occupancy</i>		
Care Homes	92.3%	90.5%
Retirement Living	89.5%	89.2% (restated)
Cost of fundraising to voluntary income	9.8%	11.8%

The Directors consider the market value at 31 March 2019 of the Freehold and Leasehold land and buildings to be in excess of the costs or valuation as stated in note 13 to the financial statements, based on independent valuations.

Current year exceptional items constitute £1,177,000 prior year costs, £673,000 current year costs and £324,000 committed costs relating to recognised software, employee and administration costs expensed as part of Cold Harbour Care Home administration system project following the decision taken in the year to no longer proceed with the software solution..

£1,881,000 of the exceptional items in the previous year relates to employee, contractor and sundry office administration expenses expensed as part of the Good to Great programme of systems and process improvements.

Reserves Policy

The Board of Directors has considered the level of reserves which should be maintained within the Group and this is reviewed annually. Such reserves are needed to cover, for example, working capital, future property repairs, the risk of possible shortfalls in charitable income and other contingencies.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Reserves Policy (continued)

The Board considers that minimum unrestricted reserves of cash and investments of approximately £12,500,000 (2018: £12,500,000) are needed to cover such items, and to enable the Group to continue to operate to meet its charitable objectives. Actual unrestricted cash reserves were £32,068,000 (2018: £13,382,000).

Since MHA is confident that it can meet the required pension contributions from projected future income without significantly impacting on its planned level of charitable activity, it continues to calculate its 'free' or general reserves without setting aside designated reserves to cover the pension liability.

The Directors are satisfied that there are sufficient reserves to meet pension liabilities arising from the MHA defined benefit scheme, which was closed to new entrants on 31 March 2010.

Investment Policy and performance

This policy covering investment objectives has been drawn up with assistance from our investment advisors, the Central Finance Board of the Methodist Church (CFB), to cover the different types of funds held. These are:

- General funds to provide working capital in line with the reserves policy.
- Restricted funds (excluding Live at Home and Amenity Funds).
- Permanent endowment funds.

The management of investments is delegated to the CFB. Performance of investments is considered annually by the Board and is judged to be satisfactory. Investments are held in equities, fixed interest deposits and cash totalling £1,316,000 (2018 £1,180,000) at the balance sheet date.

Principal Funding Sources

MHA has fully drawn loan facilities with the Allied Irish Bank, balance at 31 March 2019 being £25,357,000 and Barclays Bank Plc balance at 31 March 2019 being £70,000,000.

Methodist Homes Housing Association Ltd has a loan facility with the Nationwide Building Society to draw up to £5,000,000 which was utilised in the year, the balance at 31 March 2019 being £3,055,000, and a loan facility with Capita totalling £1,147,000 as at 31 March 2019.

MHA Auchlochan has arranged a loan facility with the Allied Irish Bank which was utilised in the year, the balance at 31 March 2019 being £2,430,000.

Fixed asset additions of £14,876,000 were financed mainly by existing reserves. This expenditure enables us to redevelop existing properties to meet new standards.

As part of Care Home operations, MHA operates 28 (2018: 28) leased homes, which have been established via sale and lease back arrangements.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Risk Management

The Board oversees strategic risk and reviews this on an ongoing basis as the external environment evolves. Risk control is exercised appropriately by the Leadership Team carrying out a formal half yearly review of strategic and operational risks for their areas.

The key risks likely to affect the Group's ability to meet its objectives include:

- Impact of state funding available in the care and housing sector - Local Authorities continue to pay care and nursing home fees at a level which falls short of that which is required to deliver quality care for older people at the same time as costs continue to rise. Management monitors the levels of funding on a monthly basis and report these to the Board, who take appropriate commercial and pricing decisions to protect the Charity.
- Brexit – the continuing process, negotiations and eventual outcome are likely to have a range of impacts; specifically inflation and potential tighter restrictions on EU citizens living and working in the UK, bringing increased pressures on recruitment and staffing.
- Workforce - the national shortage of nurses is expected to continue and likely to be exacerbated by restrictions on recruitment from abroad, fewer people training as nurses and an ageing workforce. Recruitment of non-nursing staff will continue to be competitive and, while the introduction of the Apprenticeship Levy offers opportunities for MHA to build career pathways into recruitment, it does so at a cost to MHA of more than £500,000 a year.
- National Living Wage - our approach to staff pay and benefits package has been targeted at the lowest paid among our frontline staff, hence our ongoing dedication to the Real Living Wage as a minimum. The Board sets pay policy through agreement of the annual pay review process.
- Reputational risk - the management of quality is a high priority for MHA. We have an internal system of risk monitoring that focuses on key factors that might indicate potential quality concerns, which are then investigated. The Board is regularly appraised of the results of this monitoring and associated actions. A poor reputation can undermine confidence of supporters and lenders.
- Change management - MHA operates within a dynamic sector and has adopted an integrated approach to managing cultural, process and systems change.
- Fundraising/Charity - the 'individual donor' market continues to face scrutiny and criticism which has led to further regulation and increased donor suspicion.
- Final salary scheme funding - A funding plan for payments to reduce the deficit has been agreed and payments are being met as they fall due. The Board receives ongoing professional advice on the management of the pension scheme and the mitigation of risk.

The annual Budget is recommended by the Finance Committee to the Board and monitored regularly by the Leadership Team. Financial performance is reported to the Finance Committee for further scrutiny. Key areas of risk that impact the Group's operations include the management of working capital and MHA has a policy of maintaining cash reserves to mitigate this risk. The Group takes a risk-averse approach to the effect of interest rates on its borrowings and has entered into appropriate hedging.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

2. STRUCTURE, GOVERNANCE and MANAGEMENT

Governing Document

Methodist Homes (MHA) is a company limited by guarantee (Companies House No. 4043124) and a registered Charity (Registered Charity No. 1083995). It is governed by its Memorandum and Articles of Association dated 31 March 2011.

Methodist Homes is the parent company of two connected charitable organisations Methodist Homes Housing Association Ltd and MHA Auchlochan, and three trading subsidiaries Silk Healthcare Holdings Ltd, Silk Healthcare Ltd and Swiftbuild Properties Ltd.

Organisational Structure

The Board consists of up to fifteen Board Members, one of whom is nominated by the Methodist Church. Board Members decide the strategic aims of the Charity and hold Management to account in performing executive functions. Decisions are taken in accordance with the instructions laid down in the Charity's Standing Orders and related policy documents.

The Board has the following committees, all of which have a group-wide remit. The work of each Committee in respect of the year is summarised below:

Audit & Risk Committee

- Undertook a self-review of its terms of reference and method of operating to ensure that they are appropriate and relevant to the current financial reporting and governance environment.
- Considered key accounting judgements made by the Leadership Team in the 2018 and 2019 financial statements.
- Challenged and supported the Leadership Team to consider key risks for MHA, together with mitigation plans. This led to the development of a summary of key risks by the Leadership Team which has now also been approved by the Board as a whole.
- Reviewed the work of our external statutory auditors, PricewaterhouseCoopers LLP, including their independence and non-audit services provided.
- Reviewed the work of our tax advisors, Deloitte LLP, following their appointment last year.
- Agreed a programme of work with the internal auditor, BDO LLP, and received reports on the first audits undertaken.
- Oversaw the development of MHA's new fixed asset register and agreed the basis of depreciation.

Finance Committee

In accordance with the Terms of Reference, last updated at the February 2019 meeting, the Finance Committee undertook the following:

- Reviewed financial performance, comparing management account actuals to forecast and Budget including cash flow; scrutinised the forecasting process.
- Reviewed the financial aspects of the business plan, alongside the longer term cash needs compared to funding plans.
- Evaluated the annual Budget for recommendation to the Board and agreed parameters with the Property Committee.
- Reviewed the funding strategy and recommended it to the Board, assessing bank facilities and the adequacy of available funding.
- Reviewed investment policies including our stance on ethical investments, the performance of investments and the investment managers.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Finance Committee (continued)

- Monitored and reviewed the pension schemes and the performance of the fund managers as well as the asset allocation for the final salary scheme.
- Brought to the Boards' attention material financial issues on a timely basis.
- Reviewed that all fundraising activities were ethical and compliant.

Quality Committee

- Oversaw how MHA worked to maintain and improve quality; how it has addressed and is learning from issues of concern raised by internal and external assessments, complaints and unexpected events.
- Oversaw the delivery of improvement plans for those homes and schemes which required improvement.
- Monitored the external environment for our regulated services; working to continually develop our own definition of quality.
- Continued the tracking of health and safety issues, fire safety and infectious disease reporting, as well as coroner inquiries into deaths in our care. There have been a number of complex cases during the year with important lessons for our practice.
- Reviewed the significance for practice of safeguarding incidents for which MHA has a low threshold for reporting. All incidents are reported.
- Ongoing tracking of MHA success in the recruitment and retention of staff as well as the quality of leadership offered by our registered managers.

Property Committee

- Reviewed the Charity's and Housing Association's portfolio; regularising ownership, obligations, grants and current occupancy status.
- Reviewed Statutory and Regulatory Compliance.
- Regularly reviewed new legislation and government policies.
- Set out clear maintenance budgets and undertook regular reviews.
- Ensured accurate utilisation of the recently implemented database, capturing all property information to assist the monitoring of compliance and maintenance.
- Identified surplus properties and instigated a disposals programme.

Nominations Committee

- Determined, on behalf of the Board, the remuneration of the Leadership Team.
- Oversaw the delegated responsibilities for ensuring good governance of the Charity and identified and proposed new Board Members

The Board delegates authority for day-to-day management to the Leadership Team. Whilst the Leadership Team may have the title of Director they are not Statutory Directors. References within this report to Directors refer to Board Members with statutory responsibilities. Board Members receive no remuneration.

Election, Appointment and Training of Board Members

Board Members are appointed by the Board through an open recruitment process led by the Nominations and Remuneration Committee and it follows Charity Commission guidelines in making sure there is an appropriate range of skills, knowledge and experience among its members.

METHODIST HOMES

BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT

31 MARCH 2019

Election, Appointment and Training of Board Members (continued)

The Chair is eligible to serve for one term of four years. Board Members are eligible to serve for two terms of three years. The maximum term of office for any Board Member is six years, subject to re-election during that period.

The Church Nominee is nominated in conjunction with the General Secretary of the Methodist Church and/or their representative, and reported to the Conference of the Methodist Church.

New Board Members receive full induction which includes our Code of Conduct, constitutional documents, Board Manual, policies and information relevant to the work of the Charity. All Board Members visit services and further develop understanding of the work of the organisation as well as appropriate training. Insurance has been taken to indemnify Board Members against liability for wrongful acts.

Members who served on the Board during the year are shown in the list of officers on page 19.

Patrons

We would like to take this opportunity to thank our Patrons - Baroness Kathleen Richardson of Calow, OBE; broadcaster and writer Pam Rhodes and Dame Denise Platt. Their support is invaluable in raising the profile of MHA and its work, helping it to reach out to more older people in need. Supporting national events and backing high profile appeals helps us generate essential charitable income. The time and contribution given by our Patrons is greatly appreciated.

Connected Companies

During the year to 31 March 2019 Methodist Homes worked closely with two associated charitable organisations, and three trading companies:

Methodist Homes Housing Association Ltd (MHHA) - subsidiary undertaking

MHA Auchlochan (MHAA) - subsidiary undertaking

Silk Healthcare Holdings Ltd (SHHL) – subsidiary undertaking

Silk Healthcare Ltd (SHL) - subsidiary undertaking (indirect, 100% owned by SHHL)

Swiftbuild Properties Ltd (SPL) - subsidiary undertaking (indirect, 100% owned by SHHL)

Staff Members

MHA is fortunate in employing staff members who share our values and provide an exceptional service to older people. We are careful in our recruitment and committed to retaining good staff members through rewards, training, personal development and career opportunities, flexible benefits and engagement. We are grateful for the contribution and work of all staff, who together, make a real difference to the lives of older people.

Communication and consultation with staff members has continued at all levels. We make sure they are kept informed through a variety of communication methods and make sure their views are taken into account when decisions are made that are likely to affect their interests.

We have a commitment not to discriminate against any person or group on any basis which underpins our policies and actions. We are open to all and actively support those with disabilities giving full and fair consideration at recruitment and support throughout employment. MHA continues to work to reflect the diversity of the local population.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Staff Members (continued)

In 2018/19, our staff supported LGBT History Month, sharing their stories and experiences with not only their colleagues but also our residents and members and wider supporters.

Statement of Board's Responsibilities

The Board Members (who are also directors of Methodist Homes for the purposes of company law) are responsible for preparing the Board of Directors' Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the charitable Group for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015) and the Housing Statement of Recommended Practice;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards, comprising FRS 102, 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 adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Internal Financial Controls Assurance

The Board is responsible for the Group systems of internal financial control. Such systems can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board and Leadership Team are reviewing the controls around key risks, which will evolve as the sector environment changes.

The Board confirms there is an ongoing process for identifying, evaluating and managing significant risks to the achievement of the Group strategic objectives. It has established a number of procedures, which are designed to provide effective internal financial controls:

- Control environment and procedures - the Board has approved the Leadership Team delegation document, giving clear management responsibilities in relation to financial control and limits to management discretion. Financial processes are supervised by staff with appropriate experience and qualification.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2019**

Internal Financial Controls Assurance (continued)

- Risk Management - the Board has adopted financial strategies, designed to identify and control significant risks facing the organisation. All significant initiatives and capital investments are subject to formal authorisation procedures.
- Management Information - the Board approves a rolling plan annually, which incorporates an annual Budget and receives regular financial and management reports that identify variances from Budget and key financial indicators.
- Monitoring systems - the Board has an Audit Committee, which reviews reports from management, external auditors and internal control assessments to provide reasonable assurance that control procedures are in place and being followed. The Committee makes regular reports to the Board.

The Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2019 and until the date of approval of the financial statements. No weaknesses were found that resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements, or in the auditors' report on those financial statements.

Statement as to Disclosure of Information to Auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Trustees of the company at the date when this report is approved confirms that:

- (a) so far as the Trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he/she has taken all the steps that he ought to have taken as a Trustee in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the Annual General Meeting.

The report of the board including the Strategic Report was approved on 5th September 2019 and signed on its behalf by:



John Robinson Chair
Epworth House, Stuart Street
Derby
DE1 2EQ

**METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2019**

Reference and administrative details

Patrons

Baroness Kathleen Richardson of Calow, OBE
Dame Denise Platt
Pam Rhodes

Board

	Term of Office		Committee Memberships
	Start	Finish	
John Robinson (Chair) CBE	Aug 2017		Nominations Committee
Other Board Members:			
David Hall	Aug 2013		Nominations & Audit & Risk Committees
Norman Mann	Aug 2014		Audit & Risk Committee
Hilary Cocker	Aug 2014		Finance & Nominations Committees
Ian Ailles	Nov 2014		Finance Committee
Andrew Cozens CBE	Aug 2015		Finance & Quality & Nominations Committees
Bala Gananpragasam	Aug 2015		Quality Committee
Debbie Aplin	Aug 2015		Property Committee
Vanella Jackson	Aug 2015		Property Committee
Vijay Thakrar	Aug 2016	Nov 2018	Audit & Risk Committee
James Reilly	July 2016		Finance & Quality Committees
Martin Burkitt	Oct 2016		Audit & Risk & Property Committees

Leadership Team

Name	Appointed	Resigned	Position
Carol Artis	2005	2018	Director of Care Homes
Anna Marshall-Day	2006		Director of People & Organisation Development
Annie Webber	2013	2019	Director of Quality
Simon Monaghan	2018		Chief Executive
Joy Kingsbury	2014	2018	Director of Retirement Living
Mark Terry	2015	2019	Director of Finance
Lincoln Clarke	2017	2018	Director of Marketing
Rev Dr Chris Swift	2017		Director of Chaplaincy & Spirituality
Mandy Mottram	2018		Company Secretary/General Counsel
Andrew White	2019		Director of Property
Daniel Ryan	2019		Director of Operations

**METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2019**

Company Secretary

Mark Terry (resigned 22 May 2018)
Mandy Mottram (appointed 22 May 2018)

Registered Office

Methodist Homes
Epworth House
Stuart Street
Derby
DE1 2EQ

Tel: (01332) 296200

Fax: (01332) 296925

Email: enquiries@mha.org.uk Website: www.mha.org.uk

Charity Registered Number - 1083995

Company Registered in England and Wales Number - 4043124

Professional Advisors

Solicitors

Pinsent Masons LLP
3 Colmore Circus Birmingham
B4 6BH

External Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers

Barclays Bank Plc
Corporate Banking
1, Churchill Place
Canary Wharf
London
E14 5HP

HSBC Plc
70 Pall Mall
London
SW1Y 5EZ

AIB Group (UK) Plc
Podium Floor
St. Helens
1 Undershaft
London
EC3A 8AB

**METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2019**

Professional Advisors (continued)

Bankers (continued)	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW
Tax Advisors	Deloitte LLP Four Brindley Place Birmingham B1 2HZ
Internal Auditors	BDO LLP 2 Snowhill Birmingham B4 6GA

Independent auditors' report to the members of Methodist Homes

Report on the audit of the financial statements

Opinion

In our opinion, Methodist Homes' Group financial statements and charitable Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the charitable Company's affairs as at 31 March 2019 and of the Group's and charitable Company's incoming resources and application of resources, including its income and expenditure, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and parent company statement of financial position as at 31 March 2019; the consolidated statement of financial activities, the consolidated cash flow statement for the year then ended and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and charitable Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Methodist Homes

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Board of Directors' Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Board of Directors' Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Board of Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and parent and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Board of Directors Reports. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 17, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Group's and charitable Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group and parent or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Methodist Homes

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
5th September 2019

METHODIST HOMES
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including consolidated income and expenditure account)
For the year ended 31st March 2019


	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2019 £'000	Total 2018 £'000
Income and endowments from:						
Donations and legacies	2	969	4,102	-	5,071	4,931
Charitable activities	3/6					
Homes		189,037	197	-	189,234	174,307
Retirement Living		47,683	44	-	47,727	46,556
Live at Home		-	2,377	-	2,377	2,333
Other		1,189	-	-	1,189	1,227
Total charitable activities		237,909	2,618	-	240,527	224,423
Investments	4	132	23	6	161	76
Total		239,010	6,743	6	245,759	229,430
Expenditure on:						
Raising funds		497	-	-	497	581
Charitable activities						
Homes		178,944	736	-	179,680	163,040
Retirement living		42,437	227	-	42,664	38,024
Live at Home		-	5,512	-	5,512	4,690
Other		6,947	104	-	7,051	6,843
Total charitable activities	6	228,328	6,579	-	234,907	212,597
Other	7	576	-	-	576	291
Total	5	229,401	6,579	-	235,980	213,469
Net (losses)/gains on investments	11	7	16	13	36	(14)
Net income/(loss)		9,616	180	19	9,815	15,947
Transfer between funds		1,161	(1,160)	(1)	-	-
Other recognised losses:						
Actuarial gain/(loss) on defined benefit pension schemes	26	947	-	-	947	4,673
Other gains/(losses) – interest rate swaps	19	(864)	-	-	(864)	2,844
Net movement in funds		10,860	(980)	18	9,898	23,464
Reconciliation of funds:						
Total funds brought forward	25	250,758	25,257	977	276,992	253,528
Total funds carried forward		261,618	24,277	995	286,890	276,992

All activities in both years are continuing activities. There were no gains or losses other than as set out above, therefore no separate Statement of Comprehensive Income has been presented.

METHODIST HOMES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st March 2019
 Company Registered No. 4043124

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2019 £'000	Total 2018 £'000
Fixed assets						
Intangible fixed assets	12	431	-	-	431	1,250
Tangible fixed assets	13	434,242	16,247	-	450,489	465,010
Investments	16	59	499	758	1,316	1,180
		<u>434,732</u>	<u>16,746</u>	<u>758</u>	<u>452,236</u>	<u>467,440</u>
Current assets						
Debtors	17	14,462	-	-	14,462	14,200
Cash at bank and in hand		32,068	9,306	237	41,611	21,464
Total current assets		<u>46,530</u>	<u>9,306</u>	<u>237</u>	<u>56,073</u>	<u>35,664</u>
Liabilities						
Creditors: Amounts falling due within one year	18	(44,430)	(1,775)	-	(46,205)	(41,594)
Net current assets/(liabilities)		<u>2,100</u>	<u>7,531</u>	<u>237</u>	<u>9,868</u>	<u>(5,930)</u>
Total assets less current liabilities		<u>436,832</u>	<u>24,277</u>	<u>995</u>	<u>462,104</u>	<u>461,510</u>
Creditors: Amounts falling due after more than one year	19	(122,998)	-	-	(122,998)	(128,113)
Provisions for liabilities	20	(48,701)	-	-	(48,701)	(50,451)
Total net assets before defined benefit pension liability		<u>265,133</u>	<u>24,277</u>	<u>995</u>	<u>290,405</u>	<u>282,946</u>
Defined benefit pension scheme liability	26	(3,515)	-	-	(3,515)	(5,954)
Total net assets		<u>261,618</u>	<u>24,277</u>	<u>995</u>	<u>286,890</u>	<u>276,992</u>
Funds						
Endowment funds	23	-	-	995	995	977
Restricted income funds	24	-	24,277	-	24,277	25,257
Unrestricted income fund: General fund	25	261,618	-	-	261,618	250,758
Total	25	<u>261,618</u>	<u>24,277</u>	<u>995</u>	<u>286,890</u>	<u>276,992</u>

The financial statements on pages 25 to 72 were approved on behalf of the Board and authorised for issue on 5th September 2019 and signed on its behalf by:


John Robinson – Chair

METHODIST HOMES

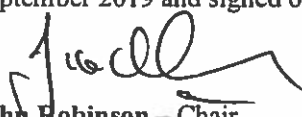
STATEMENT OF FINANCIAL POSITION (PARENT COMPANY)

As at 31st March 2019

Company Registration No. 4043124

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2019 £'000	Total 2018 £'000
Fixed assets						
Intangible fixed assets	12	431	-	-	431	65
Tangible fixed assets	13	339,324	16,247	-	355,571	368,796
Investments in subsidiaries	15	6,031	-	-	6,031	24,374
Investments	16	59	499	758	1,316	1,180
		<u>345,845</u>	<u>16,746</u>	<u>758</u>	<u>363,349</u>	<u>394,415</u>
Current assets						
Debtors	17	40,561	-	-	40,561	33,311
Cash at bank and in hand		22,014	9,300	237	31,551	12,215
Total current assets		<u>62,575</u>	<u>9,300</u>	<u>237</u>	<u>72,112</u>	<u>45,526</u>
Liabilities						
Creditors: Amounts falling due within one year	18	(53,643)	(1,775)	-	(55,418)	(44,949)
Net current assets		<u>8,932</u>	<u>7,525</u>	<u>237</u>	<u>16,694</u>	<u>577</u>
Total assets less current liabilities		<u>354,777</u>	<u>24,271</u>	<u>995</u>	<u>380,043</u>	<u>394,992</u>
Creditors: Amounts falling due after more than one year	19	(99,207)	-	-	(99,207)	(101,453)
Provisions for liabilities	20	(34,535)	-	-	(34,535)	(36,703)
Total net assets before defined benefit pension liability		<u>221,035</u>	<u>24,271</u>	<u>995</u>	<u>246,301</u>	<u>256,836</u>
		-	-	-	-	-
Defined benefit pension scheme liability	26	(3,515)	-	-	(3,515)	(5,954)
Total net assets		<u>217,520</u>	<u>24,271</u>	<u>995</u>	<u>242,786</u>	<u>250,882</u>
Funds						
Endowment funds	23	-	-	995	995	977
Restricted income funds	24	-	24,271	-	24,271	25,426
Merger Reserve	25	(4,698)	-	-	(4,698)	-
Unrestricted income fund: General fund	25	222,218	-	-	222,218	224,479
Total	25	<u>217,520</u>	<u>24,271</u>	<u>995</u>	<u>242,786</u>	<u>250,882</u>

The financial statements on pages 25 to 72 were approved on behalf of the Board and authorised for issue on 5th September 2019 and signed on its behalf by:


John Robinson – Chair

METHODIST HOMES
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2019

	Note	2019		2018	
		£'000	£'000	£'000	£'000
Cash flow from operating activities:					
Net cash provided by operating activities	27a		13,560		15,364
Cash flow from investing activities:					
Investment income		161		76	
Purchase of tangible fixed assets		(13,587)		(37,878)	
Purchase of Intangible fixed assets		(399)			
Purchase of Investment		(100)			
Proceeds from the sale of tangible fixed assets		27,667		27,574	
Net cash generated from/(used in) investing activities			13,742		(10,228)
Cash flow from financing activities:					
Interest paid and similar charges		(3,768)		(3,665)	
Repayments of borrowings		(3,387)		(4,762)	
Net cash used in financing activities			(7,155)		(8,427)
Net change in cash and cash equivalents			20,147		(3,291)
Cash and cash equivalents at the beginning of the year			21,464		24,755
Cash and cash equivalents at the end of the year			41,611		21,464

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies

General information

Methodist Homes (MHA) is a company limited by guarantee (Companies House No. 4043124) and a registered Charity (Registered Charity No. 1083995). It is governed by Memorandum and Articles of Association dated 31 March 2011. It is incorporated and domiciled in the UK. The address of its registered office is Methodist Homes, Epworth House, Stuart Street, Derby, DE1 2EQ.

Summary of significant accounting policies

The principal accounting policies adopted, judgments and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

Basis of preparation

These financial statements have been prepared under the historical cost convention, with the exception of owned Freehold Care Homes, Long Leasehold Care Homes and investments which are shown at deemed cost. They have also been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP (FRS102)) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) and the Companies Act 2006 except for the treatment of MHHA Social Housing Grants. These would normally be shown through the Statement of Financial Activities as Restricted Funds. MHA has chosen to maintain the Housing Association treatment of recognising grants under accrual model which is a departure from the Charity SORP (FRS102), but is in line with the Companies Act 2006 and the Statement of Recommended Practice "Accounting by Registered Housing Providers" which is adopted by MHHA. The Directors believe this is the appropriate policy to use within the consolidated financial statements.

Owned Freehold and Long Leasehold Care Homes are valued at deemed cost as permitted by the transitional arrangements to FRS102. The deemed cost is the historic value or market value at transition. The valuations of land and buildings for Care Homes were made in 2013 by Knight Frank on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice Note 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. The method used and significant assumptions applied in estimating the fair values for the Care Homes were by reference to the 'profits method' as this is the basis on which such properties are commonly bought or sold. In undertaking the valuation of the property, Knight Frank made an assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property and purchaser sentiment. Knight Frank then applied these to the properties, taking into account size, location, aspect. Other material factors, such as where planned works were due to take place creating a reduced occupancy, have been factored in.

The properties have been valued separately with the exception of Nethanvale and Lower Johnshill which would be sold as a single asset. As a result the values reported on an individual basis are an apportionment of the value as a whole.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Basis of preparation (continued)

Open Market Value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The subject properties are valued having regard to trading potential, having been well maintained and effectively operated, offering high standards of care and meeting the requirements of the relevant regulatory bodies.

The Charity constitutes a public benefit entity as defined by FRS102.

Going concern

The Charity's business activities, its current financial position and factors likely to affect its future development are set out in the Board of Directors' Report. The Charity has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Charity's day to day operations. The Charity also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

The Trustees consider that there are no material uncertainties about the Charity's ability to continue as a going concern.

Basis of consolidation

The consolidated Group financial statements of Methodist Homes and its subsidiary undertakings are presented using acquisition accounting on a line by line basis. Intra-Group profits are eliminated on consolidation. A separate Statement of Financial Activities and Income and Expenditure Account for the company has not been presented because the company has taken advantage of the exemption afforded by section 408 of the Companies Act 2006. The performance of the Charity is set out in note 25.

The wholly controlled subsidiaries which are consolidated are:

Methodist Homes Housing Association Ltd- Registered Provider of Social Housing

MHA Auchlochan – Charity

Silk Healthcare Holdings Ltd – Holding company

Silk Healthcare Ltd – trading company providing care in 4 Homes

Swiftbuild Properties Ltd – property development company, specialising in building Care Homes

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Basis of consolidation (continued)

A subsidiary is an entity controlled by the Parent. The parent Charity can exercise control through trusteeship, which gives a parent Charity the ability to govern the financial and operating policies of the subsidiary. The above five entities are subsidiaries of Methodist Homes by means of various inter-Group agreements. Methodist Homes has the power to appoint and/or remove a majority of the Trustees and thus demonstrate control.

Income recognition

All income is recognised once the Charity has entitlement to the income, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the Charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Donations are recognised when the Charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance before the Charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the Charity and it is probable that those conditions will be fulfilled in the reporting period. The Charity received substantial amounts of voluntary help from its supporters but no attempt is made to place a financial value on these services and they are not included in these financial statements. Voluntary help covers a range of activities from fundraising to helping with activities in the Homes.

For legacies, entitlement is taken as the earlier of the date on which either: the Charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Charity or the Charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank.

Charitable activities

Fees, charges and rents – Income represents the amounts charged for occupation costs and services provided in the year, and is recognised on a receivables basis.

Retirement housing for sale – Income and expenditure represents amounts relating to individual units sold during the year on long-term lease. A sale is recognised on completion where the contract is unconditional and the risks and rewards of ownership have passed.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Charitable activities (continued)

Transactions with a guaranteed buyback commitment are not recognised at the date of completion, but are accounted for as operating leases for the period to when it is considered probable that the property will be bought back (currently considered by the Directors to be nine years from the completion date). This principle applies irrespective of the duration of the buyback commitment.

The difference between the sale price and the buyback price is recognised as rental revenue on a straight-line basis over the duration of the buyback commitment. The property is initially recognised at production cost in property, plant and equipment. Depreciation expense is calculated over expected useful economic life of the property by the straight-line method, on the basis of the property's cost less its estimated residual value, representing the anticipated resale price on the property market.

Provision is made for the expected value of the buyback commitment in the future, discounted at the appropriate risk-free rate (being the relevant nine and five year government bond rates depending on the remaining expected life of the individual commitments by property). The carrying value of the provision is re-assessed at each financial reporting period end to adjust for transactions during the period, changes in remaining lives of the commitments, and periodic fluctuations in the risk free rate. The unwinding of the associated discount factor is recognised within interest payable and similar charges.

On the buyback of a property under the guaranteed commitment by the company, any resulting gain or loss is recognised within the Operating Surplus / (Deficit) in the period, as is the release of any associated buyback provision. The remaining unwound discount is released to interest.

Expenditure recognition

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Central costs

All staff employed in the central office are employed by Methodist Homes, the office premises are jointly occupied and office services are shared.

Within the financial statements of the group, these expenses are allocated on the basis of time spent on three items:

(i) Charitable activities

These costs relate to services provided centrally and identified as wholly or mainly in support of direct charitable expenditure, together with an appropriate proportion of management and office overheads.

(ii) Costs of generating funds

All expenses relating to fund-raising, publicity and public relations (except the marketing of accommodation and care services) are charged to this heading. This item bears an appropriate proportion of management and office overheads.

(iii) Governance costs

These costs relate to the corporate management of the organisation itself. They include expenses of Trustees' meetings, audit fees, office costs and other corporate management costs.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Allocation of support and governance costs

Support costs have been allocated between governance costs and other support costs. Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel and payroll. Governance costs comprise all costs involving the public accountability of the Charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 7.

Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the amortisable amount of the assets to their residual values over their estimated useful lives.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Charity are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Tangible fixed assets and depreciation

Land is stated at cost, except where it forms part of a revalued Care Home – in which case it is stated at valuation, and is not depreciated.

Freehold and long leasehold buildings include applicable overhead expenditure and capitalised interest. Interest on loans deemed to be financing a development is capitalised up to the date of practical completion.

Fixed assets with a cost of more than £500 are capitalised and depreciated. Improvements which enhance the future economic benefits of the property or extend its overall useful life are capitalised and are fully written off over the expected useful life of the property.

The Charity has previously adopted a policy of revaluing freehold and long leasehold Care Homes and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses. The Charity has adopted the transition exemption under FRS102 paragraph 35.10(d) and elected to use the previous revaluation as deemed cost.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Tangible fixed assets and depreciation (continued)

Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful life.

Freehold and long leasehold buildings are depreciated over their expected useful life of forty years, or the life of the lease if shorter, on a straight-line basis. Improvements to buildings are depreciated over between five and forty years on a straight line basis.

Furniture, equipment and motor vehicles are depreciated over between three and twenty years on a straight line basis dependent upon their component type except for minibuses financed from restricted funds, which are written off in the year of purchase.

Assets in the course of construction are stated at cost and are not depreciated until they are available for use. The assets in the course of construction are recognised where it is probable economic benefit will flow to the Charity and can be reliably measured.

Social housing grants

The group's housing developments are financed wholly or partly by Social Housing or other capital grants. Section 24 of FRS102, 'Government grants' permits either the performance model or the accrual model to recognise the government grants. As required by the Housing SORP (FRS102), housing properties accounted at valuation must recognise government grants using the performance model and those accounted at cost must recognise government grants using the accrual model.

The Group accounts for its housing property at cost and recognises government grants using the accrual model. Under this model, grants are recognised in income on a systematic basis over the expected useful life of the housing property structure (not land and structure), even if the fair value of the grant exceeds the carrying value of the structure in the financial statements, or over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis.

On disposal of an asset for which government grants were received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the statement of financial position related to such asset is derecognised as a liability and recognised as revenue in the statement of financial activities.

There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised as income.

Financial instruments

The Group has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction value unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Financial instruments (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the consolidated Statement of Financial Activities.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the consolidated Statement of Financial Activities.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade creditors, bank loans, loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in "Other recognised gains/(losses)" of the Statement of Financial Activities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Retirement housing stock

Unsold units of retirement housing stock and work in progress at the year end are treated as fixed assets and are therefore valued at the lower of cost and estimated selling price less cost to complete. Cost includes capitalised interest incurred on specific projects during the period of development and any other relevant applicable costs.

Impairment of non-financial assets

Where the carrying values of care/housing properties or retirement housing stock are considered to have suffered a permanent diminution in value, the fall in value is recognised in the Statement of Financial Activities. An impairment review is carried out and appropriate impairment provisions made.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's) that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be two years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the statement of financial position date using the closing quoted market price. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

The main form of financial risk faced by the Charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired during the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

At the transfer of a subsidiary's trade and assets to the company the net assets of that investment are retained in investments and the balance transferred to a merger reserve. The merger reserve is transferred to the general fund in line with the expected utilisation of the assets transferred to the company.

Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of Charity. Designated funds are unrestricted funds of the Charity which the Directors have decided at their discretion to set aside to use for a specific purpose.

i) Restricted income funds

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Charity's work or for specific projects being undertaken by the Charity. They represent voluntary income or grants from statutory authorities and fees and charges in Live at Home Schemes, which have been received for purposes set out in note 24.

The application of these funds is restricted by the terms of a special appeal, the expressed wishes of the donor, the will of the testator, or the terms of the grant.

ii) Endowment funds

These represent money given for a particular purpose and are intended to be permanent with the original capital being maintained and the income and capital growth being utilised.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Pensions

The Group's pension arrangements comprise various defined benefit and defined contribution schemes.

Where the underlying assets and liabilities of the defined benefit schemes can be separately identifiable, the Group recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Actuarial gains and losses for these schemes are included in the Consolidated Statement of Financial Activities.

Current and past service costs, curtailments and settlements are recognised within net incoming resources. Returns on scheme assets and interest on obligations are recognised as other finance income or expenses.

Where it is not possible to separately identify the share of the underlying assets and liabilities of a defined benefit scheme, the amount charged to the Consolidated Statement of Financial Activities represents the contributions payable in the year.

The defined benefit schemes are funded, with the assets held separately from the Group in separate Trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each Statement of Financial Position date. The pension scheme assets are measured at fair value.

The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reducing future contributions or to the extent that the trustees have agreed a refund from the scheme at the Statement of Financial Position date.

A pension scheme liability is recognised to the extent the group has a legal or constructive obligation to settle the liability. For defined contribution schemes contributions are charged to the Consolidated Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

The Charity participates in a defined benefit scheme, as detailed in note 26, which was closed to new entrants on 31 March 2010. Where it is not possible in the normal course of events to identify the schemes underlying assets and liabilities belonging to individual participating employers, under accounting standards the accounting charge for the year represents the employer contributions payable. Contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Taxation

The group has charitable status and is therefore not subject to Corporation Tax on its surplus from charitable activities.

The group is registered for VAT. Most of the group's income (residential charges, rents and grants) is exempt for VAT purposes, which significantly restricts the recovery of VAT on expenditure.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Liabilities

Liabilities are recognised when either a constructive or legal obligation exists.

Leased assets and obligations

Leases are considered operating leases where the risks and rewards equivalent to ownership have not been passed to the Group. As such, the annual rentals are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS102 (1 April 2013) as per FRS102 para 35.10(p) and continues to credit such lease incentives to the Statement of Financial Activities over the period to the first review date on which the rent is adjusted to market rates.

Critical judgements in applying the accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

i) Provisions for liabilities

The Charity has recognised provisions for the re-purchase of properties sold as leasehold interests under guaranteed buy-back arrangements, on the basis that the timing of the re-purchase is uncertain. Additionally provisions have been recognised in relation to liabilities in respect of exceptional items. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience, professional advice and other reasonable factors.

ii) Exceptional items

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as exceptional. Details of these items categorised as exceptional are outlined in note 8.

iii) Fair Value on acquisition of Silk Healthcare Holdings Ltd

The fair value of tangible assets, intangible assets and liabilities acquired on the acquisition of Silk Healthcare Holdings Ltd involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. In addition the estimation of the contingent consideration payable required estimation of the level of profitability of the business acquired. The estimation of the fair values requires the combination of assumptions including revenue growth, sales mix and volumes, rental values and increases and customer attrition rates. In addition the use of discount rates requires judgment.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. Principal Accounting Policies (continued)

Future amendments to FRS102

The Charity will adopt any new provisions arising from future developments to FRS102 where relevant. As at the date of approval of the financial statements, the Trustees do not consider that any current or proposed amendments will have a material impact on the reported results.

2. Donations and legacies

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
Donations	744	1,090	-	1,834	2,188
Big Lottery Fund grant	-	191	-	191	41
Legacies receivable	225	2,821	-	3,046	2,702
	<u>969</u>	<u>4,102</u>	<u>-</u>	<u>5,071</u>	<u>4,931</u>

3. Charitable activities

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
Fees and charges	208,732	1,421	-	210,153	195,201
Rents	7,358	-	-	7,358	7,253
Grants	1,239	1,197	-	2,436	2,352
Consultancy income	55	-	-	55	314
Sale of Housing	20,525	-	-	20,525	19,303
	<u>237,909</u>	<u>2,618</u>	<u>-</u>	<u>240,527</u>	<u>224,423</u>

Forms of government assistance from which the Charity has benefitted amounts to £1,396,000 (2018: £1,353,000).

4. Investments

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
Investment securities – UK	1	9	6	16	20
Bank and deposit interest	131	14	-	145	56
	<u>132</u>	<u>23</u>	<u>6</u>	<u>161</u>	<u>76</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

5. Analysis of expenditure

		Homes	Retirement	Live at	Other	2019	2018
	Note	£'000	Living	Home	£'000	Total	Total
			£'000	£'000		£'000	£'000
Staff costs		107,028	14,350	3,378	10,250	135,006	120,435
Operational costs/(income):							
Supplies and services		32,589	6,434	1,462	10,258	50,743	44,290
Repairs and rents		16,212	2,703	267	52	19,234	17,730
Retirement housing cost of sales		-	8,741	-	208	8,949	9,369
Depreciation	13	7,931	5,148	-	411	13,490	12,263
Amortisation	12	-	-	-	1,218	1,218	1,581
Finance charges		-	2,295	-	1	2,296	17
Bank loan interest		2,833	459	-	494	3,786	3,706
Other (income)/costs		587	135	4	1,707	2,433	1,465
(Profit) on disposals		(3,925)	-	-	-	(3,925)	-
Exceptional items	8	-	-	-	2,174	2,174	2,322
Taxes		-	-	-	-	-	-
Allocated costs/(income)		16,425	2,399	401	(19,225)	-	-
Governance costs	7	-	-	-	576	576	291
Total expenditure		179,680	42,664	5,512	8,124	235,980	213,469

Allocated costs represent central overheads. Allocation has been performed based on an assessment of the utilisation of each function by the operating business streams.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

6. Summary analysis of expenditure and related income for charitable activities

		Homes	Retirement Living	Live at Home	Other	2019 Total	2018 Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities							
Fees and charges		189,152	19,970	937	94	210,153	195,201
Rents		82	7,232	44	-	7,358	7,253
Grants		-	-	1,396	1,040	2,436	2,352
Consultancy income		-	-	-	55	55	314
Sale of Housing		-	20,525	-	-	20,525	19,303
Total income	3	189,234	47,727	2,377	1,189	240,527	224,423
Expenditure on charitable activities							
Staff costs		(107,028)	(14,350)	(3,378)	(9,925)	(134,681)	(119,984)
Operational costs		(56,227)	(25,915)	(1,733)	(14,177)	(98,052)	(90,291)
Allocated (costs)/income		(16,425)	(2,399)	(401)	19,225	-	-
Exceptional items		-	-	-	(2,174)	(2,174)	(2,322)
Total		(179,680)	(42,664)	(5,512)	(7,051)	(234,907)	(212,597)
Total surplus/(deficit) from charitable activities 2019		9,554	5,063	(3,135)	(5,862)	5,620	
Total surplus/(deficit) from charitable activities 2018		11,267	8,532	(2,357)	(5,616)		11,826

7. Analysis of governance and support costs

The Group initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the key charitable activities undertaken (see note 6) in the year. Refer to the table on the following page for the basis for apportionment and the analysis of support and governance costs.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

7. Analysis of governance and support costs (continued)

	Support Costs £'000	Governance Costs £'000	2019 Total £'000	2018 Total £'000	Basis of allocation
Employment costs	-	218	218	69	Staff time
Trustee expenses	-	17	17	16	Invoiced events
External auditors – audit services:					
Parent	-	112	112	120	Governance
Subsidiaries	-	85	85	80	Governance
Bank covenants	-	6	6	6	Governance
Directors Insurances	9	-	9	9	Cost
Other costs	-	138	138	-	Governance
Total	9	576	585	300	

8. Exceptional items

	2019 £'000	2018 £'000
Impairment of assets	-	441
Good to Great Programme resource and admin costs	-	1,881
Cold Harbour Project	2,174	-
Total costs	2,174	2,322

The Cold Harbour project costs relate to expenditure on software, employees and administration relating to a Care Home administration system. A decision has been made during the year not to take this project forward.

The exceptional items constitute £1,177,000 prior year costs, £673,000 current year costs previously capitalised in assets under the course of construction and £324,000 of committed costs.

Impairment of assets in 2018 relates to the alignment of the net book value of former Care Home sites with their expected net realisable values.

In 2018 MHA incurred costs of £1,881,000 on the Good to Great Programme of systems and process improvements relating to employee, contractor and sundry office administration expenses.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

9. Operating lease commitments

	2019	2018
	Total	Total
	£'000	£'000
Operating leases		
The following lease payments were made during the year in respect of operating leases:		
Land and buildings	11,613	8,897
	2019	2018
	Land & Buildings	Land & Buildings
	Total	Total
	£'000	£'000
At 31 March the Group and Charity had commitments under non-cancellable operating leases as follows:		
- expiring in one year or less	11,576	11,239
- expiring in one to two years	11,576	11,239
- expiring in two to five years	34,729	33,716
- expiring in more than five years	229,452	234,006
	<u>287,333</u>	<u>290,200</u>

10. Analysis of staff costs and remuneration of key management personnel

	2019	2018
	Number	Number
Average monthly number employed		
Care Homes	4,548	4,667
Retirement Living	788	790
Live at Home	123	95
Office staff	281	251
	<u>5,740</u>	<u>5,803</u>

The average number of staff employed represents the full time equivalent including staff on zero hour contracts. The total number of staff employed on zero hour contracts was 1,306 (2018: 1,255). The use of zero hour contracts for care staff allows the employee the flexibility to control their work preferences.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

10. Analysis of staff costs and remuneration of key management personnel (continued)

	2019	2018
	£'000	£'000
Group staffing costs		
Wages and salaries	122,855	110,477
Social security costs	9,301	7,961
Other pension costs		
- Defined benefit pension costs (note 26)	496	453
- Defined contribution pension costs	2,521	1,544
	<u>135,173</u>	<u>120,435</u>

During 2017 the Good to Great programme ended however, some projects continued to be developed by the newly created Change Team. £226,000 of staff costs has been incurred on Change Team projects in 2019. The prior year cost of £874,000 were included as an exceptional cost and not included in the Group staffing costs disclosed above. These staff were included in the headcount numbers in the prior year.

The key management personnel is comprised of the Leadership Team alongside the Trustees of the Charity. During the year the total remuneration received by the Leadership Team was £1,167,624 (2018: £1,047,242). The employer's pension contribution for the key management personnel staff was £59,239 (2018: £58,229).

The key management personnel of the Group are all remunerated from the parent Charity. These comprise the Leadership Team listed on page 19 of the financial statements. The total employee benefits of the Leadership Team of the Charity were £Nil (2018: £Nil).

The number of Directors who received reimbursement for the cost of travel to and from meetings was 11 (2018: 14). The cost of travel expenses reimbursed was £13,308 (2018: £12,605). During the year an insurance premium of £8,848 (2018: £8,690) was paid to indemnify Directors against liability for wrongful acts. No emoluments were paid during the year to any Director. 61 (2018:46) employees earned over £60,000 in the year excluding pension contribution within the following bands:

	2019	2018
	Number	Number
Between £60,001 and £70,000	39	27
Between £70,001 and £80,000	7	7
Between £80,001 and £90,000	5	1
Between £90,001 and £100,000	3	4
Between £100,001 and £110,000	2	3
Between £110,001 and £120,000	1	1
Between £120,001 and £130,000	1	-
Between £130,001 and £140,000	1	1
Between £140,001 and £150,000	1	2
Between £180,001 and £190,000	1	-

61 (2018:46) employees were members of the defined contribution pension scheme.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

11. Net gains/(losses) on investments

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
Realised gains	-	-	-	-	3
Unrealised gains/(losses)	7	16	13	36	(17)
	7	16	13	36	(14)

12. Intangible Fixed Assets

Group	Customer relationships £'000	Goodwill £'000	Software £'000	Total £'000
Cost				
At 1 April 2018	2,782	379	98	3,259
Additions	-	-	399	399
At 31 March 2019	2,782	379	497	3,658
Amortisation				
At 1 April 2018	1,739	237	33	2,009
Amortisation charge	1,043	142	33	1,218
At 31 March 2019	2,782	379	66	3,227
Net Book Value				
At 31 March 2019	-	-	431	431
At 31 March 2018	1,043	142	65	1,250

The individual intangible assets, excluding goodwill and software, which are material to the financial statements, are: intangible assets relating to the acquisition of Silk Healthcare Holdings Ltd, which was completed on 6 December 2016.

	Carrying amount		Remaining amortisation period	
	2019 £'000	2018 £'000	2019 Yrs	2018 Yrs
Resident base				
Silk Healthcare Holdings Ltd	-	1,043	-	0.75

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

12. Intangible Fixed Assets (continued)

Company	Software	Total
	£'000	£'000
Cost		
At 1 April 2018	98	98
Additions	399	399
At 31 March 2019	<u>497</u>	<u>497</u>
Amortisation		
At 1 April 2018	33	33
Amortisation charge	33	33
At 31 March 2019	<u>66</u>	<u>66</u>
Net Book Value		
At 31 March 2019	<u>431</u>	<u>431</u>
At 31 March 2018	<u>65</u>	<u>65</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

13. Tangible Fixed Assets

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Cost / valuation							
1 April 2018	282,798	25,832	177,721	9,050	31,913	8,940	536,254
Additions during the year	548	87	2,759	2,928	892	7,662	14,876
Completions during the year	10,071	24	2,250	-	1,731	(14,076)	-
Disposals during the year	(8,053)	1,496	(8,766)	(115)	(217)	-	(15,655)
Impairment during the year	-	-	-	-	-	(1,850)	(1,850)
Transfer between category	(10,318)	10,233	5,826	(2,031)	(3,709)	(1)	-
31 March 2019	275,046	37,672	179,790	9,832	30,610	675	533,625
Accumulated depreciation / impairment							
1 April 2018	31,522	2,710	21,811	4,191	11,010	-	71,244
Charge for the year	5,572	621	3,821	154	3,322	-	13,490
On disposals	(1,509)	104	(159)	-	(34)	-	(1,598)
Transfer between category	262	3,192	(1,484)	(3,442)	1,472	-	-
31 March 2019	35,847	6,627	23,989	903	15,770	-	83,136
Net book value							
31 March 2019	239,199	31,045	155,801	8,929	14,840	675	450,489
31 March 2018	251,276	23,122	155,910	4,859	20,903	8,940	465,010

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

13. Tangible Fixed Assets (continued)

Completions during the year relate to the reclassification of assets in the course of construction upon completion of the relevant project. Any assets in the course of construction, whose nature does not meet the definition of capital expenditure or where the project was aborted, are taken to the Statement of Financial Activities upon project completion. The cost of such projects in the year was £1,850,000 (2018: £2,993,000).

As part of the implementation of a new Fixed Asset management system a detailed review was undertaken resulting in reclassification of assets between categories shown in Transfer between category/company.

Software costs have been reclassified as intangible fixed assets during the year. The opening balance of furniture, equipment and vehicles has been reduced by £65,000 which reflects the carrying value of software at 2018.

During March 2019 a 'Put Option' at the Mickle Hill, Pickering Retirement Living Scheme was exercised by the Developer in line with the contractual agreement. This was completed in May 2019, when MHA took ownership of 14 apartments; MHA intend to sell or rent these properties to grow the vibrant community at that scheme. An addition of £1,276,000 has been recognised in the assets in the course of construction column.

The net book value at 31 March 2019 represents fixed assets used for:

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Direct charitable purposes:							
Homes	239,199	31,045	-	-	11,826	203	282,273
Retirement Living	-	-	152,228	8,929	2,264	182	163,603
Support offices	-	-	3,573	-	750	290	4,613
	239,199	31,045	155,801	8,929	14,840	675	450,489

Included within our freehold land and buildings above is land of £58,286,000 (2018: £59,580,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £Nil (2018: £189,000). The cumulative amount of capitalised interest included is £3,917,000 (2018: £3,917,000).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

13. Tangible Fixed Assets (continued)

Included within freehold land and buildings is £283,000 (2018: £8,245,000) of assets in the course of construction.

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Cost / valuation							
1 April 2018	254,313	25,832	115,823	481	23,134	7,585	427,168
Additions during the year	415	87	1,291	2,928	706	6,628	12,055
Completions during the year	9,664	24	448	-	1,627	(11,763)	-
Disposals during the year	(8,053)	1,496	(7,415)	(115)	(217)	-	(14,304)
Impairment during the year	-	-	-	-	-	(1,850)	(1,850)
Transfer between category	(10,318)	10,233	45	(342)	448	(1)	65
31 March 2019	246,021	37,672	110,192	2,952	25,698	599	423,134
Accumulated depreciation / impairment							
1 April 2018	29,030	2,710	13,876	2,959	9,797	-	58,372
Charge for the year	4,960	621	2,201	(11)	2,935	-	10,706
Impairment	-	-	-	-	-	-	-
On disposals	(1,509)	104	(101)	-	(34)	-	(1,540)
Transfer between category	262	3,192	(1,087)	(2,927)	585	-	25
31 March 2019	32,743	6,627	14,889	21	13,283	-	67,563
Net book value							
31 March 2019	213,278	31,045	95,303	2,931	12,415	599	355,571
31 March 2018	225,283	23,122	101,947	(2,478)	13,337	7,585	368,796

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

13. Tangible Fixed Assets (continued)

As part of a new system implementation for the management of fixed assets a detailed review and classification exercise was undertaken resulting in reclassification of assets between categories shown in Transfer between category/company.

The net book value at 31 March 2019 represents fixed assets for:

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Direct charitable purposes:							
Homes	213,278	31,045	-	-	11,466	203	255,992
Retirement Living	-	-	91,730	2,931	199	106	94,966
Support offices	-	-	3,573	-	750	290	4,613
	<u>213,278</u>	<u>31,045</u>	<u>95,303</u>	<u>2,931</u>	<u>12,415</u>	<u>599</u>	<u>355,571</u>

Included within freehold land and buildings above is land of £51,098,000 (2018: £52,598,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £Nil (2018: £189,000). The cumulative amount of capitalised interest included is £3,813,000 (2018: £3,813,000).

Included within our freehold land and buildings is £283,000 (2018: £6,890,000) of assets in the course of construction.

14. Capital Commitments

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Expenditure contracted, less certified	<u>4,244</u>	<u>8,604</u>	<u>4,202</u>	<u>7,903</u>

Included within the capital commitments of the Group and Company are contracts relating to the development of sites which are executory contracts in nature as at 31 March 2019. A liability for these items has not been recorded in the financial statements as neither party has yet performed their obligations and the contracts are not onerous.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

15. Investments in Subsidiaries

Company	2019
	£'000
At 1 April 2018	24,374
Impairment of investment	(13,645)
Transfer of a subsidiary	(4,698)
At 31 March 2019	<u>6,031</u>

Analysed as:	2019
	£'000
Silk Healthcare Holdings Ltd	6,031
	<u>6,031</u>

Fixed asset investments comprise equity shares in Silk Healthcare Holdings Ltd which is not a publicly trading company.

Silk Healthcare Holdings Ltd

MHA acquired 100% of the equity share capital of Silk Healthcare Holdings Ltd on 7 December 2016. The address of the registered office of Silk Healthcare Holdings Ltd is Epworth House, Stuart Street, Derby, DE1 2EQ. Refer to note 28 for details on the company and its subsidiaries.

On 31 March 2019 the trade and assets of Silk Healthcare Holdings Ltd, Silk Healthcare Ltd and Swiftbuild Properties Ltd were transferred to the Company for consideration of £6,031,000 satisfied by an inter-group loan.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

15. Investments in Subsidiaries (continued)

No adjustments were required to the book values. The net assets acquired were:

	Silk Healthcare Holding Ltd	Silk Healthcare Ltd	Swiftbuild Properties Ltd	Total
	£'000	£'000	£'000	£'000
Fixed Assets	-	39	-	39
Cash at bank and in hand	1	2,589	15	2,605
Trade debtors	-	740	-	740
Due from group undertakings	595	3,730	8,855	13,180
Other debtors	-	11	266	277
Prepayments and accrued income	-	9	-	9
Trade creditors	-	(8)	(3)	(11)
Due to group undertakings	(49)	(5,945)	(4,276)	(10,270)
Other creditors	(25)	(1)	-	(26)
Taxation and social security	-	-	(4)	(4)
Accruals and deferred income	-	(222)	(286)	(508)
	522	942	4,567	6,031

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

16. Investments - Group and Company

	Unrestricted	Restricted	Endowment	2019	2018
	Funds	Funds	Funds	Total	Total
	£'000	£'000	£'000	£'000	£'000
1 April 2018	-	435	745	1,180	1,197
Additions during the year	52	48	-	100	-
Net gain/(loss) on revaluation	7	16	13	36	(17)
31 March 2019	59	499	758	1,316	1,180
The securities represent:					
Methodist Church Central					
Finance Board:					
Equity fund units	-	392	-	392	316
Fixed interest fund units	59	107	758	924	864
31 March 2019	59	499	758	1,316	1,180

All investments are carried at their fair value. Investment in equities and fixed interest units are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

17. Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	8,771	7,085	8,145	6,243
Due from group undertakings	-	-	26,967	20,930
Deferred tax asset	223	-	223	-
Other debtors	337	627	273	274
Prepayments and accrued income	5,131	6,488	4,953	5,864
	14,462	14,200	40,561	33,311

Amounts receivable from Group undertakings comprise a formal loan of £3,500,000 (2018: £3,500,000) which is interest bearing at a rate of 0.5% per annum (2018: 0.5%) unsecured and repayable on demand, and £23,471,000 (2018: £17,430,000) recharges arising from operational activities which is not interest bearing, is unsecured and payable on demand.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

18. Creditors: Amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	5,764	4,986	5,717	4,525
Due to group undertakings	-	-	13,423	8,700
Charges and rents in advance	6,119	5,403	6,024	4,858
Deferred Income – buy back properties	798	946	613	750
Accruals and deferred income	13,493	11,004	12,570	9,776
Taxation and social security	4,358	3,763	4,229	3,586
Unpaid pension contributions	677	521	662	507
Loans – principal and interest	2,241	2,285	1,287	1,217
Other creditors	12,755	12,686	10,893	11,030
	46,205	41,594	55,418	44,949

19. Creditors: Amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Derivative financial instruments	4,635	3,772	4,635	3,772
Loans:				
- Between one and two years	2,516	2,393	1,550	1,446
- Between three and five years	7,093	7,919	5,351	4,992
- In five years or more	90,148	92,774	87,037	89,242
Less loan arrangement fees	(660)	(792)	(660)	(792)
	99,097	102,294	93,278	94,888
Unamortised grants – deferred income:				
- Between one and two years	1,021	1,040	-	-
- Between three and five years	2,948	3,003	-	-
- In five years or more	13,326	14,293	-	-
	17,295	18,336	-	-
Deferred Income – buy back properties:				
- Between one and two years	711	885	540	697
- Between three and five years	1,069	2,239	724	1,760
- In five years or more	191	587	30	336
	1,971	3,711	1,294	2,793
Total	122,998	128,113	99,207	101,453

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

19. Creditors: Amounts falling due after more than one year (continued)

The loans are secured on certain Care Home and housing properties, representing 48% of the value of Freehold Land and Buildings (2018: 46%). The interest rates payable on these loans, plus the short-term loans of £2,403,000 (2018: £2,417,000), are as detailed below, confirming the drawn down amounts as at 31 March 2019, the interest rate and the respective terms.

Company £'000

- £70,000 is payable at LIBOR plus a margin of 2.2% until March 2025
- £25,357 is payable at LIBOR plus a margin 0.78%
- £95,357 **Company total**

Subsidiaries £'000

- £3,055 is payable at LIBOR plus a margin of 0.48% until 31 December 2021
- £140 is fixed at a rate of 4.5% until 1 March 2023
- £1,147 is fixed at a rate of 10.6878% until 31 March 2049
- £2,430 is payable at LIBOR plus a margin of 1% until 7 January 2024
- £6,772 **Subsidiaries total**
- £102,129 **Group total**

Of the outstanding loan balance £70,000,000 (2018: £70,000,000) relates to loans that are non-amortising.

The Company has fixed interest rates to guard against future rate movements on £70,000,000 (2018: £70,000,000) of the loan balance. The fair value of the interest swaps as at 31st March 2019 is a £4,635,000 liability (2018: £3,772,000 liability) representing the cost of exiting this arrangement, which is not currently intended by the company. The recognised loss on cash flow hedges in the year is £864,000 (2018: gain of £2,844,000). This reflects the net of the fair value loss on derivatives of £1,791,850 (2018: gain of £1,635,000) and the losses recycled to bank loan interest of £927,000 (2018: losses recycled of £1,209,000). The amounts recycled to bank loan interest represent the cash paid on derivatives during the year.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

20 Provisions for liabilities

	1 April 2018 £'000	Created on new transactions £'000	Charge for year £'000	Decrease in provision £'000	Utilisation of provision £'000	31 March 2019 £'000
Group						
Guarantee property buy-backs	49,459	2,290	2,295	-	(7,874)	46,170
Remediation provision	422	-	-	-	-	422
Retirement Living provision	-	1,276	-	-	-	1,276
Housing for Sale provision	570	263	-	-	-	833
	50,451	3,829	2,295	-	(7,874)	48,701
Company						
Guarantee property buy-backs	36,133	596	1,706	-	(6,009)	32,426
Retirement Living provision	-	1,276	-	-	-	1,276
Housing for Sale provision	570	263	-	-	-	833
	36,703	2,135	1,706	-	(6,009)	34,535

The guarantee property buy-backs provision arises when MHA enters into transactions to sell the leasehold interest in Retirement Living properties with an option (exercisable by either party) for MHA to re-purchase the leasehold at a pre-agreed amount. Buy-back commitments have been estimated to average nine years (2018: ten years) the impact of this change is reflected in the charge for the year. Provisions are discounted at the appropriate risk free rate. The relevant nine and five year government bond rates have been used depending on the remaining expected life of the individual commitments by property, these being 0.883% and 0.753% respectively (2018: 1.39% and 0.895%).

The remediation provision (formerly called the demolition provision) relates to ongoing works at Auchlochan village for planned refurbishment.

The Housing for Sale provision relates to an onerous contract where the purchase price of properties purchased in the 'Put Option' at Mickle Hill, Pickering are estimated to exceed the likely net sale proceeds.

During March 2019 a 'Put Option' at the Mickle Hill, Pickering Retirement Living Scheme was exercised by the Developer in line with the contractual agreement. This was completed in May 2019, when MHA took ownership of 14 apartments; MHA intend to sell or rent these properties to grow the vibrant community at that scheme. This provision accounts for the known transaction in the financial year that the 'Put Option' was exercised.

The Retirement Living provision relates to a possible outflow from a consultation process.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

21. Financial instruments

Group

The Group has the following financial instruments:

	Note(s)	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	17	8,771	7,085
Other debtors and accrued income		891	2,679
		<u>9,662</u>	<u>9,764</u>
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	16	<u>1,316</u>	<u>1,180</u>
Financial liabilities measured at amortised cost:			
Trade creditors	18	(5,764)	(4,986)
Accruals		(11,393)	(10,545)
Loans (including interest)	18/19	(101,338)	(104,579)
Other creditors		(17,079)	(15,898)
		<u>(135,574)</u>	<u>(136,008)</u>
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	19	<u>(4,635)</u>	<u>(3,772)</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

21. Financial instruments (continued)

Company

The Company has the following financial instruments:

	Note(s)	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	17	8,145	6,243
Due from Group members	17	26,967	20,930
Other debtors and accrued income		1,212	2,254
		<u>36,324</u>	<u>29,427</u>
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	16	<u>1,316</u>	<u>1,180</u>
Financial liabilities measured at amortised cost:			
Trade creditors	18	(5,717)	(4,525)
Due to Group undertakings	18	(13,423)	(8,700)
Accruals		(10,704)	(9,262)
Loans (including interest)	18/19	(94,565)	(96,105)
Other creditors		(16,001)	(15,122)
		<u>(140,410)</u>	<u>(133,714)</u>
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	19	<u>(4,635)</u>	<u>(3,772)</u>

Derivative financial instruments

The Group has entered into interest rate swaps to mitigate the risk from future rate movement. The fair value of the interest rate swaps as at 31 March 2019 is £4,635,000 (2018: £3,772,000). The fair values of the assets and liabilities held at fair value through the Statement of Financial Activities at the Statement of Financial Position date are determined using quoted prices. Where quoted prices are not available for derivatives the fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates. These instruments are included within cash flow hedge relationships.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

22. Share Capital

The company is limited by guarantee and has no share capital.

23. Endowment funds

Movement in Funds

Group and Company	1 April 2018	Incoming	Outgoing	Gains on investment assets	Transfers between restricted funds	Transfers between restricted and unrestricted funds	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
H D Clarke Memorial	912	6	-	13	(2)	(1)	928
Redcroft Residential Home	65	-	-	-	2	-	67
	<u>977</u>	<u>6</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>(1)</u>	<u>995</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

24. Restricted income funds

Movement in Funds

Group

	1 April 2018 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2019 £'000
Care Homes	15,486	656	(480)	16	4	(303)	15,379
Retirement Living	5,845	211	(151)	-	(4)	(851)	5,050
Big Lottery Fund grant	-	191	(191)	-	-	-	-
Live at Home	2,683	4,885	(5,320)	-	(55)	(3)	2,190
Amenity funds	1,243	800	(437)	-	55	(3)	1,658
	25,257	6,743	(6,579)	16	-	(1,160)	24,277

Company

	1 April 2018 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2019 £'000
Care Homes	15,398	656	(480)	16	-	(211)	15,379
Retirement Living	6,109	211	(151)	-	-	(1,119)	5,050
Big Lottery Fund grant	-	191	(191)	-	-	-	-
Live at Home	2,683	4,885	(5,320)	-	(55)	(3)	2,190
Amenity funds	1,236	794	(433)	-	55	-	1,652
	25,426	6,737	(6,575)	16	-	(1,333)	24,271

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

24. Restricted income funds (continued)

The Homes and Retirement Living funds relate to amounts donated for use and subsequently used to improve specific Homes or Schemes. The Live at Home Scheme funds relate to amounts raised by local schemes to fund their day to day running costs. Amenity funds relate to amounts raised for the provision of additional benefits for residents and tenants within a specific Home or Scheme.

Big Lottery Fund Grants of £191,000 (2018: £41,000) were received in the year to support Live at Home.

25. Funds

	Restricted Income Funds	Endowment Funds	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000
Group				
At 1 April 2018	25,257	977	250,758	276,992
Surplus for the year	180	19	9,616	9,815
Actuarial gain	-	-	947	947
Deficit on interest rate swaps	-	-	(864)	(864)
Transfers	(1,160)	(1)	1,161	-
At 31 March 2019	24,277	995	261,618	286,890

	Restricted Income Funds	Endowment Funds	Merger Reserve	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000	£'000
Company					
At 1 April 2018	25,426	977	-	224,479	250,882
(Loss)/Surplus for the year	178	19	-	(3,678)	(3,481)
Actuarial gain	-	-	-	947	947
Deficit on interest rate swaps	-	-	-	(864)	(864)
Transfer of subsidiary	-	-	(4,698)	-	(4,698)
Transfers	(1,333)	(1)	-	1,334	-
At 31 March 2019	24,271	995	(4,698)	222,218	242,786

The company's loss before donations for the year to 31 March 2019 amounted to £9,078,000 (2018: £16,087,000) following an impairment of £13,645,000, on the investment in the subsidiaries that were transferred to the company. The company's loss after donations for the year to 31 March 2019 amounted to £3,398,000 (2018: £40,277,000) from a gross income of £219,560,000 (2018: £224,593,000).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

26. Pensions and Similar Obligations

A defined contribution scheme, Growth Plan 4, was available to all employees. The charge for the year covered 341 (2018: 400) employees. The contribution rate of MHA for the year varied between 2% and 6% depending on the employee's contribution, which is a minimum of 6%.

MHA operates a number of pension schemes;

(i) A defined benefit scheme, which was a funded scheme, with the assets held in separate Trustee administered funds, was closed to new members and future accrual on 31 March 2010.

As per para 28.38 of FRS102, where an entity participates in a defined benefit plan that shares risks between entities under common control it shall obtain information about the plan as a whole measured in accordance with this FRS on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net defined benefit cost of a defined benefit plan as a whole measured in accordance with this FRS to individual group entities, the entity shall, in its individual financial statements, recognise the net defined benefit cost of a defined benefit plan so charged. If there is no such agreement or policy, the net defined benefit cost of a defined benefit plan shall be recognised in the individual financial statements of the Group entity which is legally responsible for the plan. The other Group entities shall, in their individual financial statements, recognise a cost equal to their contribution payable for the year. Methodist Homes is the sponsoring employer of the defined benefit pension scheme and has legal responsibility for the plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual Group entities and therefore the Company has recognised the entire net defined benefit cost and the relevant net defined benefit liability of the defined benefit pension scheme in its individual financial statements.

The financial assumptions used to calculate the Group's scheme liabilities are as follows:

	2019	2018	2017	2016
	%pa	%pa	% pa	% pa
Inflation (CPI)	2.30%	2.20%	2.30%	2.00%
Inflation (RPI)	3.30%	3.20%	3.30%	3.00%
Rate of increase in salaries	3.80%	4.20%	4.30%	4.00%
Rate of increase for pensions in payment	1.75%	1.70%	1.75%	1.70%
Rate of increase for deferred pensions	3.30%	3.20%	3.30%	3.00%
Discount rate	2.40%	2.60%	2.60%	3.50%

* Pensions accrued before 1 January 2000 for members who joined the scheme before 1 November 1998 are subject to guaranteed fixed increases of 5% (2018: 5%) per annum in deferment and in payment.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

26. Pensions and Similar Obligations (continued)

The current mortality assumptions used in the valuation of the pension liabilities were:

	2019	2018	2017	2016
Life expectancy	SIPA Year of birth CMI09 with a minimum improvement of 1.25% p.a. for males and 1.0% p.a. for females	SIPA Year of birth CMI09 with a minimum improvement of 1.25% p.a. for males and 1.0% p.a. for females	SIPA Year of birth CMI09 with a minimum improvement of 1.5% p.a. for males and 1.25% p.a. for females	SIPA Year of birth CMI09 with a minimum improvement of 1.5% p.a. for males and 1.25% p.a. for females

The assumed life expectations on retirement age 65 are:

	2019	2018	2017	2016
Pensioner currently aged 65:	Years	Years	Years	Years
Male	22.00	22.40	23.20	23.10
Female	23.70	24.00	24.90	24.80
Non-Pensioner currently aged 45:				
Male	23.40	23.80	24.90	24.80
Female	24.90	25.30	26.40	26.30

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the Statement of Financial Position date, whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

The fair value of assets in the scheme, the present value of the liabilities in the scheme and the long-term rate of return expected at the Statement of Financial Position date were:

	Fair value 2019 £'000	Fair value 2018 £'000
Equities	28,491	26,296
Government bonds	24,847	23,068
Property	2,720	3,436
Cash	373	440
Total market value of assets	56,431	53,240
Present value of scheme liabilities	(59,946)	(59,194)
Deficit in the scheme	(3,515)	(5,954)

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

26. Pensions and Similar Obligations (continued)

The last formal valuation of the scheme was performed as at 30 September 2018 by a professionally qualified actuary.

The actuary has confirmed that the existing contribution level can be reduced given the deficit which is forecast to be removed within 10 years.

The Group's pension charge for the year calculated under FRS102 assumptions is included in the financial statements.

Analysis of amounts charged to net incoming resources

	2019	2018
	£'000	£'000
Current service cost	(365)	(149)
Expected return on scheme assets	1,381	1,331
Interest on pension scheme liabilities	(1,512)	(1,635)
Net cost	<u>(131)</u>	<u>(304)</u>
 Total cost	 <u><u>(496)</u></u>	 <u><u>(453)</u></u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

26. Pensions and Similar Obligations (continued)

Analysis of amount recognised as Actuarial (loss)/gain

	2019	2018
	£'000	£'000
Actuarial gain recognised in the Consolidated Statement of Financial Activities	947	4,673
Total credit to Consolidated Statement of Financial Activities	451	4,220
Cumulative actuarial losses	(11,892)	(12,839)
Statement of Financial Position impact	2019	2018
	£'000	£'000
Present value of funded obligations	(59,946)	(59,194)
Fair value of scheme assets	56,431	53,240
Deficit in the scheme at 31 March	(3,515)	(5,954)
Changes in the present value of the defined benefit obligation	2019	2018
	£'000	£'000
Opening defined benefit obligation	59,194	65,139
Service cost	239	149
Interest cost	1,512	1,635
Actuarial loss/(gain)	1,136	(3,078)
Net benefits paid	(2,135)	(4,651)
Closing defined benefit obligation	59,946	59,194
Changes in fair value of plan assets	2019	2018
	£'000	£'000
Opening fair value of plan assets	53,240	52,055
Expected return	1,381	1,331
Actuarial gain	2,083	1,595
Contributions by employer	1,988	2,910
Net benefits paid	(2,135)	(4,651)
Expenses	(126)	-
Closing fair value of plan assets	56,431	53,240
Return on plan assets	3,464	2,926

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

26. Pensions and Similar Obligations (continued)

- (ii) The previous Growth Plan is a multi-employer defined benefit scheme which is administered by TPT Retirement Solutions. The actuary has completed a tri-annual valuation as at 30 September 2018 showing a funding level of 88.8%. Additional contributions of £64,035 (2018: £62,170) were paid during the year.
- (iii) The contribution by the Group to the defined benefit scheme paid during the year amounted to £1,988,328 (2018: £2,910,420). Further payments will be made in future years to further reduce the pension deficit.
- (iv) The current growth plan is a multi-employer defined contribution scheme. Contributions paid during 2018/19 in respect of the defined contribution scheme were £671,130 (2018: £747,504).
- (v) During the year all employees were eligible to join the auto-enrolment scheme. The new scheme is compulsory for all employees who have not specifically opted out of the scheme. MHA contributed 2% of pensionable pay for all those included in the scheme from 1 April 2013. The contributions for the year were £1,710,137 (2018: £804,468).

27. Notes to the Cash Flow Statement

a) Reconciliation of net income to net cash inflow from operating activities

	2019	2018
	£'000	£'000
Net income	9,815	15,947
Unrealised (gains)/losses on investment	(36)	14
Investment income	(161)	(76)
Release of capital grants	(1,041)	(1,040)
Interest charge	3,786	3,706
Profit on sale of Retirement Living Housing	(13,610)	(9,934)
Depreciation charges	13,490	12,263
Amortisation	1,218	1,581
Impairment of fixed assets	1,850	441
Defined benefit scheme pension contributions paid in the year	(1,988)	(2,910)
Defined benefit scheme pension cost charged in the year	496	453
Increase in debtors	(262)	(15)
Increase/(decrease) in creditors and provisions	3	(5,066)
Net cash provided by operating activities	<u>13,560</u>	<u>15,364</u>

Movements in debtors and creditors which relate to capital and interest transactions are excluded from the movements in debtors and creditors shown.

Cash and cash equivalents amounting to £237,000 (2018: £232,000) held in endowment funds are not available for use to further charitable activities as they are held for particular purposes and are intended to be permanent.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

27. Notes to the Cash Flow Statement (continued)

b) Reconciliation of net cash flow to movement in net debt

	2019 £'000	2018 £'000
Increase/(decrease) in cash and cash equivalents	20,147	(3,291)
Cash movement in borrowings	3,387	4,762
Change in net funds resulting from cash flows	23,534	1,471
Change in net funds resulting from non-cash flows	(146)	(151)
Movement in net debt		
Net debt as at 1 April	(83,115)	(84,435)
Net debt as at 31 March	(59,727)	(83,115)

c) Analysis of changes in net debt

	1 April 2018 £'000	Cash flow £'000	Non-cash changes £'000	31 March 2019 £'000
Cash at bank and in hand	21,464	20,147	-	41,611
Loans due within one year	(2,285)	2,284	(2,240)	(2,241)
Loans due after more than one year	(102,294)	1,103	2,094	(99,097)
	(83,115)	23,534	(146)	(59,727)

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

28. Group Structure

Methodist Homes has the following subsidiary undertakings:

Methodist Homes Housing Association Ltd

Incorporation:	Co-operative and Community Benefit Societies Act 2014
Registered Number	LH2343
Principal activity:	Charitable provision and management of social housing.

	2019	2018
	£'000	£'000
Assets	72,318	72,206
Liabilities	(24,463)	(25,899)
Funds	47,855	46,307
Incoming resources	6,747	6,662
Resources expended	(5,199)	(4,019)
Movement in funds	1,548	2,643

MHA Auchlochan Limited

Incorporation:	Charity Registered Number SCO40155
Company Registered Number:	SC352117
Principal activity:	Charitable provision and management of residential Care Homes.

	2019	2018
	£'000	£'000
Assets	33,907	33,373
Liabilities	(37,664)	(37,142)
Funds	(3,757)	(3,769)
Incoming resources	9,304	6,771
Resources expended	(9,292)	(6,162)
Movement in funds	12	609

Silk Healthcare Ltd

Company Registered Number:	05893616
Principal activity:	Provision of Healthcare

	2019	2018
	£'000	£'000
Assets	942	5,136
Liabilities	-	(3,463)
Funds	942	1,673
Incoming resources	10,885	10,733
Resources expended	(11,611)	(11,378)
Movement in funds	(726)	(645)

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

28. Group Structure (continued)

Silk Healthcare Holdings Ltd
Company Registered Number: 07839421
Principal activity: Holding Company of two subsidiaries

	2019	2018
	£'000	£'000
Assets	522	547
Liabilities	-	(26)
Funds	522	521
Resources expended	-	(48)
Movement in funds	-	(48)

Swift Build Properties Ltd
Company Registered Number: 05095073
Principal activity: Development of Care Homes

	2019	2018
	£'000	£'000
Assets	4,567	9,067
Liabilities	-	(4,499)
Funds	4,567	4,568
Resources expended	-	(17,790)
Movement in funds	-	(17,790)

The five organisations are deemed to be subsidiaries of Methodist Homes by means of various intragroup agreements.

29. Related party transactions

The Charity has taken advantage of the exemption conferred by paragraph 33.1A of FRS102, 'related party transactions', that transactions with wholly controlled subsidiaries do not need to be disclosed.

The contribution by the Group to the defined benefit scheme paid during the year amounted to £1,988,328 (2018: £2,910,000).

During the financial year to 31 March 2019 two (2018: two) members of the Leadership Team and The Board had close family members residing in the company's Care Homes. In both situations arrangements were established and continue to be monitored in accordance with the company's published relatives' policy. The policy stipulates line management oversight of all instances where MHA services are provided to relatives of Board Members and employees. The policy ensures that there is no preference given to the availability or price of MHA's services and also ensures the safeguarding of family members and carers.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

29. Related party transactions (continued)

The related party transactions are as follows:

	2019 £'000	2018 £'000
Transactions		
Pension scheme – Defined benefit	1,988	2,910
Pension scheme – Defined contribution	2,380	2,921
Care England	33	30
	<u>4,401</u>	<u>5,861</u>
	2019 £'000	2018 £'000
Balances		
Pension scheme – Defined benefit	(3,515)	(5,954)
Pension scheme – Defined contribution	(479)	(250)
	<u>(3,994)</u>	<u>(6,204)</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

30. Statement of Financial Activities for prior year

	Note(s)	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2018 £'000
Income and endowments from:					
Donations and legacies	2	3,769	1,162	-	4,931
Charitable activities					
Homes		173,923	384	-	174,307
Retirement Living		43,492	3,064	-	46,556
Live at Home		143	2,190	-	2,333
Other		1,227	-	-	1,227
Total charitable activities	3/6	218,785	5,638	-	224,423
Investments	4	51	18	7	76
Total		222,605	6,818	7	229,430
Expenditure on:					
Raising funds		581	-	-	581
Charitable activities					
Homes		161,327	1,713	-	163,040
Retirement Living		34,308	3,716	-	38,024
Live at Home		1,506	3,184	-	4,690
Other		6,829	14	-	6,843
Total charitable activities	6	203,970	8,627	-	212,597
Other		291	-	-	291
Total	5	204,842	8,627	-	213,469
Net (losses) on investments	11	3	(4)	(13)	(14)
Net income		17,766	(1,813)	(6)	15,947
Transfer between funds		(313)	313	-	-
Other recognised losses:					
Actuarial gains on defined benefit pension schemes	26	4,673	-	-	4,673
Other gains – interest rate swaps		2,844	-	-	2,844
Net movement in funds		24,970	(1,500)	(6)	23,464
Reconciliation of funds:					
Total funds brought forward		225,788	26,757	983	253,528
Total funds carried forward		250,758	25,257	977	276,992