

**METHODIST HOMES REPORT
AND FINANCIAL STATEMENTS
31 March 2018**

Charity Registered No. 1083995
Company Registered No. 4043124

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METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2018

INTRODUCTION TO ANNUAL REVIEW

I am pleased to present Methodist Homes (MHA) Report and Financial Statements for 2017/18, especially as it covers the first year of my being Chair of the Board of Trustees.

During the first year of my tenure, I have had the pleasure of visiting more than 30 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. In addition, I am delighted to have welcomed our new Chief Executive Sam Monaghan. He joined us in February 2018 and is already bringing renewed enthusiasm and new ideas to MHA. 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 all of us getting older. 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 have 4,335 residents in 90 care homes, 2,779 people in 70 retirement living communities and 10,588 people we support in 50 Live at Home schemes. 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, something which was started right back when MHA was founded, making sure we truly care for the mind, body and spirit.

What is important to MHA is the quality of life we provide for older people. But we need to make sure that we have the money available to enable us to provide this quality of care. These Financial Statements show we made a net income in 2017/18 of £15.9m, but that is by no means the whole story. Cash is really what matters; we actually ended the year with slightly less cash than the year before largely due to the completion of some new developments.

The Board is also of the view that our borrowing levels are a little higher than we would like. Therefore, for the next couple of years, we have paused new developments and will focus on building cash reserves whilst also bringing all our properties up to an improved standard.



John Robinson
Chair of MHA Board

METHODIST HOMES

BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT

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The Trustees of Methodist Homes (MHA) present their report and financial statements for MHA for the year ended March 2018. 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

Methodist Homes (MHA) is an award-winning charity providing care, accommodation and support services for older people throughout Britain. We are one of the most well-respected care providers in the sector and amongst the largest charities in Britain, providing services to older people since we were set up in 1943.

We provide community-based care and support services as well as residential care for older people.

MHA includes the subsidiaries MHA Auchlochan, the charity's retirement living village in Scotland, Methodist Homes Housing Association, Silk Healthcare Holdings Ltd and its two subsidiaries Silk Healthcare Ltd and Swiftbuild Properties Ltd.

Mission

MHA's mission is to improve the quality of life for older people. It wants to tackle loneliness and isolation among older people by connecting people in communities that care.

Values

Our values underpin all our services. They are:

- We respect every person as a unique individual
- We treat others, especially the most frail and vulnerable, with the dignity we wish for ourselves
- We are open and fair in all our dealings
- We always seek to improve, to become the best we can be
- We nurture each person's body, mind and spirit to promote a fulfilled life

Objectives

Our main objectives for the coming year are to reach out to more older people through our services while at the same time maintaining our current high quality offer. We want to do this by continuing to invest in current services to make sure they keep up with demands while at the same time developing and improving our services to meet the changing needs and expectations of Britain's ageing society, now and into the future.

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Activities for achieving objectives, now and in the future

The MHA Board and Leadership Team continues to plan and build a future for the charity which can deliver its ambition to deliver more and better forms of support 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.

MHA currently supports over 17,700 individuals:

- 4,335 older people living in 90 care homes, either in residential, nursing or specialist dementia care.
- 2,779 older people living independently in a growing range of purpose-built apartments in 70 retirement living schemes with flexible support and personalised care.
- 10,588 older people supported through 50 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 7,000 dedicated staff and enhanced by the commitment of 5,000 volunteers.

Longer term, we aim to help and support more 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 and one of the top three charities for shaping policy and being the voice of older people. We aim to lead the 'Faith in Ageing' movement across all faiths.

The issue of combating loneliness and isolation and its impact on older people is at the heart of our work. In 2017/18 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 2017/18, MHA's overall satisfaction score in the independent 2017 Your Care Rating survey for care homes was 96% (2016/17: 96%). By the end of 2017/18, 87% (2016/17: 84%) 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

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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 aim for the highest standards in all its fundraising activities, is registered with the Fundraising Regulator and is committed to complying with its Fundraising Promise. MHA's objective is to exceed the standards set by both the Fundraising Regulator and the Institute of Fundraising. MHA ensures that its fundraisers, volunteers and any third party agencies comply with fundraising regulations and keeps 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-changing work that MHA does with 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 and retirement living schemes are made up of diverse communities and our Live at Home schemes also draw from our diverse communities. Opportunities are made available for 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 religious traditions, as well as those without any religious affiliation. We encourage residents to maintain links with their own faith communities.

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 and make sure they are able to lead interesting and satisfying lives.

MHA has begun to understand which areas of service and supply are most at risk of slavery and to take action to enable us to work with our suppliers to eradicate slavery. Areas including construction, temporary labour, catering services and supplies and various low skilled manual work are particularly at risk and MHA is taking steps to enhance our tendering and award provisions, contractual agreements and ongoing supplier management to add MSA provisions and reviewing existing suppliers to ensure each are compliant with the act where they qualify

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.

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Public Benefit (continued)

MHA's gender pay gap details are:

- The mean average gender pay gap is 3.4%
- The median average gender pay gap is 2.5%
- The mean average gender bonus gap is -16.1%
- The median average gender bonus gap is -73.3%
- 3.1% of male colleagues received a bonus.
- 5.2% of female colleagues received a bonus.

Men are very slightly under-represented in the two lowest pay quartiles and very slightly over-represented in the upper two pay quartiles. However, our bonus payments (for great achievements in quality, people and finance) are in favour of women which reflect our workforce being over 80% women in line with the older people we serve.

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 4,335 residents in specially designed accommodation. www.mha.org.uk/care-homes.
- ii. Retirement Living - MHA runs 70 retirement living communities being the home of 2,779 people across England, Scotland and Wales www.mha.org.uk/retirement-apartments.
- iii. Live at Home - these 50 community-based schemes provide practical and social support to 10,588 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.

2017/18 Achievements and Performance

We are continuously looking to reconfigure and ultimately expand the amount of care and support we provide to older people through the provision of more places. The Charity therefore re-invests a substantial proportion of its surplus in the provision of additional settings where these services can be delivered.

In 2017/18 MHA expanded its care services by:

- opening Oak Manor care home at Shefford, Bedfordshire, providing care for 64 residents.
- providing an extra 50 residential dementia care places through Phase 2 of the redevelopment of Hall Grange care home in Shirley, London.
- welcoming residents to the 85-place care home Montpellier Manor in Stainton, Middlesbrough.

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 87% of our inspected services are rated as 'good' or 'outstanding'.

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2017/18 Achievements and Performance (continued)

We received two additional 'outstanding' inspection results from the CQC for The Martins care home in Suffolk and Willersley House care home near Hull, meaning MHA has four 'outstanding' homes overall.

Willersley House is the first of our homes to achieve an 'outstanding' in all five categories considered by the CQC and one of just eight homes across England to hold this accolade.

We achieved a 96% overall resident satisfaction rating in the independent Your Care Rating survey

Our approach to improving the quality of care provided was recognised when MHA was shortlisted for an Innovation in Care Award at the prestigious Laing Buisson awards in 2017. Our end of life care programme, The Final Lap, was recognised as best practice when it won the 3rd Sector Care Award for End of Life Care.

We need to make sure we continue 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 for all staff and increase the pay rates for nurses from 1 April 2018. This is because 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 impacted positively 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 2017/18, we provided music therapy in our 64 care homes that have specialist dementia care with 817 residents receiving one-to-one sessions and a total of 11,850 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. In 2017/18, nine new schemes opened in Hampshire thanks to the support of the County Council which granted funding of almost £600,000 for three years. These schemes joined established ones already running in Portsmouth and Winchester and means that Live at Home now covers the entire county of Hampshire.

Expansion of services also took place at the Stoke North Live at Home scheme after a joint Big Lottery fund application with Father Hudson's Charity was agreed to grow services in North Staffordshire. Big Lottery funding is also helping support a project that Ellesmere Port and Neston Live at Home schemes are involved with, to support older people who have been made redundant in the area. The 'Not Ready Yet' project aims to support people in their mid-50s and older to reduce loneliness and help them move forward.

Members at all Live at Home schemes are involved in the day-to-day running, helping agree on activities and events for members, including where to go for day trips and short holidays, which help combat the loneliness and isolation often felt by older people.

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2017/18 Achievements and Performance (continued)

In addition, schemes run befriending services and work in partnerships on a local level. The services are supported through charitable donations and a small contribution requested from members to cover the costs of services. In addition, Live at Home schemes are supported by more than 2,500 volunteers.

Our work with the popular ITV programme Emmerdale on a dementia storyline culminated in MHA's recognition by the actors and team when they publically acknowledged MHA's support in a primetime broadcast awards ceremony. The programme won the best storyline award for its portrayal of someone living with dementia, best show and best actor awards at the National Soap Awards.

In addition, our music therapy service was featured on BBC Radio 4's documentary series 'The Untold' when it focused on one of MHA's residents at Torrwood care home in Somerset.

Residents and staff at Starr Hills care home in Lytham St Annes were featured in the Christmas Day morning broadcast on BBC Radio 2.

In 2017/18 we continued to develop and grow our retirement living communities, residents in our retirement living schemes are part of thriving communities with a range of activities and events available to them should they choose. In addition, they have the peace of mind knowing care is available 24-hours a day through an on-call system and the knowledge that they can have packages of care tailored to their needs if and when they need it.

The rate of fill up on some of our new schemes has been slower than anticipated. MHA has learnt that in some instances the process of building a full and vibrant retirement living community takes time. In these circumstances 'patience is a virtue' in terms of allowing each retirement living community to build its own momentum to maturity.

Both Wellesley Court at Waterlooville and Nethanvale at Auchlochan Garden Village were new developments which were completed last year. We have continued to grow our communities at these schemes this year with sales teams focussing on these developments.

Phase 2 of Maidment Court in Poole opened successfully in February 2018, albeit 9 months later than anticipated, adjoining a Care Home on the site which opened in 2016. Phase 2 comprises 87 retirement living apartments.

MHA's partnership with retirement living developers Adlington continues, with us providing the care and support for residents at their new developments in Urmston and Stafford.

Work continued on phase 2 at Mickle Hill, Pickering, the retirement living development in North Yorkshire. This year we have focused on building the community in phase 1 in our role as operator of the scheme.

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 do far against the ARCO consumer code are compliant.

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2017/18 Achievements and Performance (continued)

MHA decided to move to evidenced opt-in consent for supporters in light of the changes to the fundraising legislative, compliance and good practice landscape. We believe that moving to an evidenced opt-in consent approach for our donors is the right thing to do and aligns very firmly with our values.

We have run a project to contact our current supporter base and gain their evidenced opt-in consent to receiving communications from us and understand their preferred channels of contact. We made the decision to contact supporters who have actively engaged with us over the last seven years. Of our warmest supporters who have been engaged with us during the last five years, 40% have responded positively and have given consent to be contacted via at least one method of communication.

In addition to this opt-in process to gain consent from our supporters we have also updated our privacy notice in line with the new GDPR regulations. We are continuing to work on a new supporter promise which will show our commitment to our supporters and instil trust in MHA to manage their donations and personal data with the highest degree of integrity.

A comprehensive review of MHA's Marketing Directorate was carried out in 2017/18 to help it better meet the needs of the organisation and lead the organisation as the voice of the customer, establishing MHA as a respected champion of older people's issues, securing the best fundraising income and delivering a best in class approach to all activity.

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:

	2018	2017
Number of Care Homes	90	88
Number of Care Home Places	4,793	4,693
Number of Retirement Living Communities	70	66
Number of Retirement Properties Served	2,862	2,711
Number of Live at Home Schemes	50	57
Number of Supported Older People in Live at Home Schemes	10,588	10,336
Volunteer Engagement at Live at Home Schemes	2,596	2,596

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Future Developments

Under the guidance of a new Chair and Chief Executive, the Board has started a strategic review process to build on MHA's 75 year history in serving the needs of older people.

Whilst the refreshed strategy is still under development the principles which have served MHA and older people so well over the last 75 years will 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 unparalleled importance and in order to maintain this we strive to be the employer of choice within our sector.

Loneliness and isolation is a growing issue for older people, especially those over the age of 75 and people who have lost their partner or are in ill health. Meanwhile society continues to have a negative perception of care homes. MHA will continue to use its communications and influence to demonstrate how we improve the lives of older people and to emphasise the part that great care homes can play in addressing this.

In order to extend our services to more older people, we plan to increase the number of our operating sites through new builds and to redevelop existing facilities where provision can be extended or improved. However, the pace of this growth will be tempered to ensure an appropriate balance between investing to provide more deliverable services and ensuring long term financial sustainability.

We have been reviewing our development priorities in the context of understanding the types of design that older people are likely to want in the future. Those priorities will be reset as MHA completes its strategic review through 2018/19.

MHA recognises the high demand for its Live at Home schemes and the opportunity this presents for making a positive difference to the lives of more older people. In 2018/19, MHA will increase the number regularly supported through Live at Home services by 750 to more than 11,000 older people. This will be achieved by increasing capacity within existing schemes, by developing services from within seven MHA retirement living schemes and by opening three new Live at Home schemes in North London, South London and Cheshire.

Financial Review

The Statement of Financial Activities shows total incoming resources of £229,430,000 (2017: £207,089,000), a 10.8% increase on the previous financial year. Of this increase, 3.5% (£7,179,000) relates to the inclusion of a full year of Silk Healthcare trading; the remainder is largely a result of increased Charitable activities within care homes and retirement living. The performance of the group's subsidiary undertakings are disclosed within Note 28 – Group Structure.

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.

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Financial Review (continued)

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 £4,931,000 (2017 £5,752,000) which we have used to:

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

The net increase in funds of £23,464,000 is added to the total balances brought forward of £253,528,000.

Key Performance Indicators for the group		
	2017/18	2016/17
	Actual £'000	Actual £'000
Total income	229,430	207,089
Operating costs excluding exceptional costs	211,161	193,186
Exceptional costs	2,322	1,558
Surplus for the year (after investment gains and losses)	15,947	12,345
<i>Service users capacity</i>	Number	Number
Care homes	4,793	4,693
Retirement Living	2,862	2,711
Community services	10,588	10,336
<i>Occupancy</i>		
Care homes	90.5%	93.3%
Retirement living	97.1%	90.2%
Cost of fundraising to voluntary income	11.8%	9.8%

The directors consider the market value at 31 March 2018 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.

£1,881,000 (2017 £1,558,000) of the exceptional items in the current year relates to employee, contractor and sundry office administration expenses expensed as part of the Good to Great programme of

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Financial Review (continued)

systems and process improvements. During the year a refreshed approach to change has been adopted. The component elements of the programme are to ensure change is delivered at a lower cost and at a lower risk, now all being progressed under the auspices of a newly formed MHA Change Team.

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.

The Board considers that minimum unrestricted reserves of cash and investments of approximately £12,500,000 (2017 £11,000,000) 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 £13,382,000 (2017 £16,733,000) due to the level of investment in new care homes. The unrestricted cash reserves were replenished following year end by cash inflows from the disposal of non-operating assets. At the 31st July 2018 unrestricted reserves held were in excess of the Board agreed minimum.

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 £1,180,000 (2017 £1,197,000) at the balance sheet date.

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Principal Funding Sources

MHA has fully drawn loan facilities with the Allied Irish Bank, (current balance at 31 March 2018 being £27,029,000) and Barclays Bank Plc (balance at 31 March 2018 being £70,000,000). Methodist Homes Housing Association 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 2018 being £3,269,000, and a loan facility with Capita totalling £1,152,000 as at 31 March 2018. MHA Auchlochan has arranged a loan facility with the Allied Irish Bank which was utilised in the year, the balance at 31 March 2018 being £3,893,000. Fixed asset additions of £40,013,000 were financed mainly by existing reserves. This expenditure enables us to redevelop existing properties to meet new standards as well as to build new ones and extend services for older people.

As part of care home operations, MHA operates 28 (2017: 27) leased homes, which have been established via sale and lease back arrangements.

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 process, negotiations and eventual outcome are likely to have a range of impacts; including inflation, increased development cost, and especially in relation to 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, removal of the nursing training bursary 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 introduction of the Real Living Wage. 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 apprised of the results of this monitoring and associated actions. A poor reputation can undermine confidence of supporters and lenders.

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Risk Management (continued)

- Change management - MHA operates within a dynamic sector and to enable it to deliver its growth strategy, 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 as delegated by the Board. 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.

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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 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 twelve 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 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 MHA's Leadership Team in the 2017 and 2018 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, PwC, including their independence and non-audit services provided
 - Conducted a tender exercise for the appointment of a single firm of tax advisors to the group and a firm of internal auditors to enhance the independence of advice being received by the group. As a result, Deloitte have been appointed as MHA's tax advisors and BDO as MHA's internal auditors; a programme of work is being developed to strengthen compliance and risk management on taxes and internal controls
 - Oversaw the development of MHA's tax strategy which is now published online and can be found at www.mha.org.uk

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Organisational Structure (continued)

• **Finance Committee**

- Reviewed management accounts and cash flow against budget and forecasts on an ongoing basis and informed the Board appropriately
- Scrutinised financial aspects of the Business Plan and ensured that funding plans matched longer term cash needs
- Scrutinised the annual budget and recommended to Board for approval
- Oversaw strategy and reviewed existing facilities to ensure adequate funding was available
- Monitored and reviewed pension schemes and oversaw the deficit reduction plan including; review of fund manager performance and the asset allocation strategy for the final salary pension scheme
- In such a way that the Board could act, it brought to attention financial issues and made associated recommendations on a timely basis
- Reviewed that all fundraising activities were ethical and compliant

• **Quality Committee**

- Oversaw how MHA worked to maintain and improve quality and how it has both 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 and worked on ideas for how MHA can develop further its own definition of quality
- Continued the tracking of health and safety issues, fire safety and infectious disease reporting and coroner inquiries into deaths in our care. There have been a number of complex cases during the year with important lessons for our practice
- Successfully tracked progress of GDPR compliance for the 25th May 2018 deadline
- Reviewed the significance for practice of safeguarding incidents for which MHA has a low threshold for reporting
- Continued tracking of progress against MHA success in recruitment and retention of staff and the quality of the 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, along with setting up new systems for monitoring on-going compliance and responsibilities
- Regularly reviewed new legislation and government policies
- Set out clear maintenance budgets and undertook regular reviews
- Commissioned a detailed report on empty properties with an action plan to ensure re-use within a reasonable timescale
- Preparation of a new development strategy taking into account the Board's agreed objectives
- Oversaw the implementation of a new database to capture all property information to assist the monitoring of compliance and maintenance
- Identified surplus properties and instigated a disposals programme

METHODIST HOMES

BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT

31 MARCH 2018

Organisational Structure (continued)

- **Remuneration Committee**
 - Determined, on behalf of the Board, the remuneration of the Leadership Team
- **Governance Committee**
 - 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 Executive 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 Governance Committee and it follows Charity Commission guidelines in making sure there is an appropriate range of skills, knowledge and experience among its members.

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 a Board Member who becomes Chair is nine 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 22.

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, such as the 2016 event at Steinway & Sons for music therapy, helps us generate essential charitable income. The time and contribution given by our Patrons is greatly appreciated.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2018**

Connected Companies

During the year to 31 March 2018 Methodist Homes worked closely with two associated charitable organisations, and three trading companies:

Methodist Homes Housing Association (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 ensure we reflect the diversity of the local population.

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:

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2018**

Statement of Board's Responsibilities (continued)

- 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.
- 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.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2018**

Internal Financial Controls Assurance (continued)

The Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2018 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 25th September 2018 and signed on its behalf by:



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

**METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2018**

Reference and administrative details

Patrons

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

Board

	Term of Office		Committee Memberships
	Start	Finish	
Graham Smith (Chair)	Apr 2011	Aug 2017	Remuneration & Governance Committees
John Robinson (Chair)	Aug 2017		Remuneration & Governance Committees

Other Board Members:

David Hall	Aug 2013		Governance & Audit Committee
Norman Mann	Aug 2014		Audit & Remuneration Committees
Hilary Cocker	Aug 2014		Finance & Governance Committees
Andrew Mason	Nov 2014	Aug 2017	Property Committee
Ian Ailles	Nov 2014		Finance & Remuneration Committees
Andrew Cozens	Aug 2015		Finance & Quality Committees
Bala Gananpragasam	Aug 2015		Quality Committee
Debbie Aplin	Aug 2015		Property Committee
Vanella Jackson	Aug 2015		Property Committee
Vijay Thakrar	Aug 2016		Audit Committee
James Reilly	July 2016		Quality Committee
Martin Burkitt	Oct 2016		Audit & Property Committees

Leadership Team

Name	Joined	Resigned	Position
Rev Dr Keith Albans	2001	2017	Director of Chaplaincy & Spirituality
Carol Artis	2005	2018	Director of Care Homes
Anna Marshall-Day	2006		Director of People & Organisation Development
Annie Webber	2013		Director of Quality
Adrian Bagg	2014	2017	Chief Executive
Simon Monaghan	2018		Chief Executive
Joy Kingsbury	2014		Director of Retirement Living
Mark Terry	2015		Director of Finance
Lincoln Clarke	2017		Director of Marketing
Rev Dr Chris Swift	2017		Director of Chaplaincy & Spirituality

**METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2018**

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 2018**

Professional Advisors (continued)

Bankers (continued)	Nationwide Building Society Kings Park Road Moulton Park Northampton
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Tax Advisors	Deloitte LLP Four Brindley Place Birmingham B1 2HZ
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Internal Auditors	BDO LLP 2 Snowhill Birmingham B4 6GA
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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 parent charitable company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2018 and of the group's and parent 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 group and parent charitable company statement of financial position as at 31 March 2018; the group statement of financial activities, the group cash flow statement for the year then ended; the accounting policies; and the notes to the financial statements.

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

We have nothing to report in respect of the following matters in relation to which 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 parent 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent ability to continue as a going concern.

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 on, 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.

Independent auditors' report to the members of Methodist Homes

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' report. 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 the Board's Responsibilities set out on pages 19 and 20, 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 parents 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.

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.

Independent auditors' report to the members of Methodist Homes


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 parent 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 parent 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
25th September 2018

METHODIST HOMES
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including consolidated income and expenditure account)
For the year ended 31st March 2018

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2018 £'000	2017 £'000
Income and endowments from:						
Donations and legacies	2	3,769	1,162	-	4,931	5,752
Charitable activities	3/6					
Homes		173,923	384	-	174,307	159,147
Retirement Living		43,492	3,064	-	46,556	38,023
Live at Home		143	2,190	-	2,333	2,277
Other		1,227	-	-	1,227	1,762
Total charitable activities		218,785	5,638	-	224,423	201,209
Investments	4	51	18	7	76	128
Total		222,605	6,818	7	229,430	207,089
Expenditure on:						
Raising funds		581	-	-	581	563
Charitable activities						
Homes		161,327	1,713	-	163,040	147,741
Retirement living		34,308	3,716	-	38,024	36,487
Live at Home		1,506	3,184	-	4,690	4,542
Other		6,829	14	-	6,843	5,233
Total charitable activities	6	203,970	8,627	-	212,597	194,003
Other	7	291	-	-	291	242
Total	5	204,842	8,627	-	213,469	194,808
Net (losses)/gains on investments	11	3	(4)	(13)	(14)	64
Net income/(loss)		17,766	(1,813)	(6)	15,947	12,345
Transfer between funds		(313)	313	-	-	-
Other recognised losses:						
Actuarial gain/(loss) on defined benefit pension schemes	26	4,673	-	-	4,673	(2,225)
Other gains/(losses) – interest rate swaps	19	2,844	-	-	2,844	(790)
Net movement in funds		24,970	(1,500)	(6)	23,464	9,330
Reconciliation of funds:						
Total funds brought forward	25	225,788	26,757	983	253,528	244,198
Total funds carried forward		250,758	25,257	977	276,992	253,528

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 2018
Company Registered No. 4043124

		Unrestricted	Restricted	Endowment		
	Note	Funds	Funds	Funds	2018	2017
		£'000	£'000	£'000	£'000	£'000
Fixed assets						
Intangible fixed assets	12	1,185	-	-	1,185	2,766
Tangible fixed assets	13	448,103	16,972	-	465,075	458,399
Investments	16	-	435	745	1,180	1,197
		<u>449,288</u>	<u>17,407</u>	<u>745</u>	<u>467,440</u>	<u>462,362</u>
Current assets						
Debtors	17	14,200	-	-	14,200	14,185
Cash at bank and in hand		13,382	7,850	232	21,464	24,755
Total current assets		<u>27,582</u>	<u>7,850</u>	<u>232</u>	<u>35,664</u>	<u>38,940</u>
Liabilities						
Creditors: Amounts falling due within one year	18	(41,594)	-	-	(41,594)	(38,252)
Net current (liabilities)/assets		<u>(14,012)</u>	<u>7,850</u>	<u>232</u>	<u>(5,930)</u>	<u>688</u>
Total assets less current liabilities		<u>435,276</u>	<u>25,257</u>	<u>977</u>	<u>461,510</u>	<u>463,050</u>
Creditors: Amounts falling due after more than one year	19	(128,113)	-	-	(128,113)	(137,193)
Provisions for liabilities	20	(50,451)	-	-	(50,451)	(59,245)
Total net assets before defined benefit pension liability		<u>256,712</u>	<u>25,257</u>	<u>977</u>	<u>282,946</u>	<u>266,612</u>
Defined benefit pension scheme liability	26	(5,954)	-	-	(5,954)	(13,084)
Total net assets		<u>250,758</u>	<u>25,257</u>	<u>977</u>	<u>276,992</u>	<u>253,528</u>
Funds						
Endowment funds	23	-	-	977	977	983
Restricted income funds	24	-	25,257	-	25,257	26,757
Unrestricted income fund: General fund	25	250,758	-	-	250,758	225,788
Total	25	<u>250,758</u>	<u>25,257</u>	<u>977</u>	<u>276,992</u>	<u>253,528</u>

The financial statements on pages 28 to 74 were approved on behalf of the Board and authorised for issue on 25th September 2018 and signed on its behalf by:


John Robinson – Chair

METHODIST HOMES
STATEMENT OF FINANCIAL POSITION (PARENT COMPANY)
As at 31st March 2018
Company Registration No. 4043124

		Unrestricted	Restricted	Endowment		
	Note	Funds	Funds	Funds	2018	2017
		£'000	£'000	£'000	£'000	£'000
Fixed assets						
Tangible fixed assets	13	351,889	16,972	-	368,861	361,076
Investments in subsidiaries	15	24,374	-	-	24,374	24,374
Investments	16	-	435	745	1,180	1,197
		<u>376,263</u>	<u>17,407</u>	<u>745</u>	<u>394,415</u>	<u>386,647</u>
Current assets						
Debtors	17	33,311	-	-	33,311	26,494
Cash at bank and in hand		3,964	8,019	232	12,215	17,247
Total current assets		<u>37,275</u>	<u>8,019</u>	<u>232</u>	<u>45,526</u>	<u>43,741</u>
Liabilities						
Creditors: Amounts falling due within one year	18	(44,949)	-	-	(44,949)	(55,532)
Net current (liabilities)/assets		<u>(7,674)</u>	<u>8,019</u>	<u>232</u>	<u>577</u>	<u>(11,791)</u>
Total assets less current liabilities		<u>368,589</u>	<u>25,426</u>	<u>977</u>	<u>394,992</u>	<u>374,856</u>
Creditors: Amounts falling due after more than one year	19	(101,453)	-	-	(101,453)	(106,703)
Provisions for liabilities	20	(36,703)	-	-	(36,703)	(44,464)
Total net assets before defined benefit pension liability		<u>230,433</u>	<u>25,426</u>	<u>977</u>	<u>256,836</u>	<u>223,689</u>
		-	-	-	-	-
Defined benefit pension scheme liability	26	(5,954)	-	-	(5,954)	(13,084)
Total net assets		<u>224,479</u>	<u>25,426</u>	<u>977</u>	<u>250,882</u>	<u>210,605</u>
Funds						
Endowment funds	23	-	-	977	977	983
Restricted income funds	24	-	25,426	-	25,426	26,743
Unrestricted income fund: General fund	25	224,479	-	-	224,479	182,879
Total	25	<u>224,479</u>	<u>25,426</u>	<u>977</u>	<u>250,882</u>	<u>210,605</u>

The financial statements on pages 28 to 74 were approved on behalf of the Board and authorised for issue on 25th September 2018 and signed on its behalf by:


John Robinson – Chair

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2018

		2018		2017	
	Note	£'000	£'000	£'000	£'000
Cash flow from operating activities:					
Net cash provided by operating activities	27a		15,364		19,666
Cash flow from investing activities:					
Investment income		76		128	
Purchase of tangible fixed assets		(37,878)		(34,698)	
Purchase of investment		-		(23,071)	
Proceeds from the sale of tangible fixed assets		27,574		49,684	
Proceeds from the sale of investments		-		-	
Net cash used in investing activities			(10,228)		(7,957)
Cash flow from financing activities:					
Interest paid and similar charges		(3,665)		(4,017)	
Cash inflows from new borrowing		-		-	
Repayments of borrowings		(4,762)		(18,868)	
Net cash used in financing activities			(8,427)		(22,885)
Net change in cash and cash equivalents			(3,291)		(11,176)
Cash and cash equivalents at the beginning of the year			24,755		35,931
Cash and cash equivalents at the end of the year			21,464		24,755

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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 have 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 have 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. Knight Frank have assumed that the properties have been marketed in an orderly way.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

The wholly controlled subsidiaries which are consolidated are:

Methodist Homes Housing Association - 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

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

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 delivered basis.

Supported 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.

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 ten 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 ten 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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

(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.

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

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 £5,000 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.

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.

Furniture, equipment and motor vehicles are depreciated over between three and forty 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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

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.

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. Accounts payable 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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

Financial instruments (continued)

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.

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

Business combinations and goodwill (continued)

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.

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.

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 2018

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

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.

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. Principal Accounting Policies (continued)

iii) Fair Value on acquisition of Silk Healthcare Holdings Limited

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.

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	2018 Total £'000	2017 Total £'000
Donations	1,439	749	-	2,188	3,068
Big Lottery Fund grant	-	41	-	41	175
Legacies receivable	2,330	372	-	2,702	2,509
	<u>3,769</u>	<u>1,162</u>	<u>-</u>	<u>4,931</u>	<u>5,752</u>

3. Charitable activities

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2018 Total £'000	2017 Total £'000
Fees and charges	190,657	4,544	-	195,201	178,787
Rents	7,253	-	-	7,253	7,094
Grants	1,258	1,094	-	2,352	2,345
Consultancy income	314	-	-	314	682
Sale of housing	19,303	-	-	19,303	12,301
	<u>218,785</u>	<u>5,638</u>	<u>-</u>	<u>224,423</u>	<u>201,209</u>

Forms of government assistance from which the charity has benefitted amounts to £1,353,000 (2017: £1,305,000).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

4. Investments

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2018 Total £'000	2017 Total £'000
Investment securities – UK	2	11	7	20	14
Bank and deposit interest	49	7	-	56	114
	<u>51</u>	<u>18</u>	<u>7</u>	<u>76</u>	<u>128</u>

5. Analysis of expenditure

	Note	Homes £'000	Retirement Living £'000	Live at Home £'000	Other £'000	2018 Total £'000	2017 Total £'000
Staff costs	10	94,890	13,600	2,640	9,305	120,435	113,085
Operational costs:							
Supplies and services		30,347	5,797	1,408	6,738	44,290	38,434
Repairs and rents		14,707	2,685	290	48	17,730	16,569
Retirement housing cost of sales		-	8,788	-	581	9,369	6,202
Depreciation	13	7,313	4,338	-	612	12,263	11,957
Amortisation	12	-	-	-	1,581	1,581	395
Finance charges/(credits)		7	415	-	(405)	17	2,843
Bank loan interest		2,915	458	-	333	3,706	3,393
Other (income)/costs		(653)	162	2	1,954	1,465	3,685
Exceptional items	8	441	-	-	1,881	2,322	1,558
Taxes		-	-	-	-	-	(3,555)
Allocated costs/(income)		13,073	1,781	350	(15,204)	-	-
Governance costs	7	-	-	-	291	291	242
Total expenditure		<u>163,040</u>	<u>38,024</u>	<u>4,690</u>	<u>7,715</u>	<u>213,469</u>	<u>194,808</u>

Charitable expenditure for the group includes tax relief of £Nil (2017: £3,555,000) in relation to the disposal of four care home properties in Swiftbuild Properties Ltd.

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 2018

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

		Homes	Retirement Living	Live at Home	Other	2018 Total	2017 Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities							
Fees and charges		174,210	20,118	1,003	(130)	195,201	178,787
Rents		98	7,135	20	-	7,253	7,094
Grants		2	-	1,310	1,040	2,352	2,345
Consultancy (costs)/income		(3)	-	-	317	314	682
Sale of housing		-	19,303	-	-	19,303	12,301
Total income	3	174,307	46,556	2,333	1,227	224,423	201,209
Expenditure on charitable activities							
Staff costs		(94,890)	(13,600)	(2,640)	(8,854)	(119,984)	(113,085)
Operational costs		(54,636)	(22,643)	(1,700)	(11,312)	(90,291)	(79,360)
Allocated (costs)/income		(13,073)	(1,781)	(350)	15,204	-	-
Exceptional items		(441)	-	-	(1,881)	(2,322)	(1,558)
Total		(163,040)	(38,024)	(4,690)	(6,843)	(212,597)	(194,003)
Total surplus/(deficit) from charitable activities 2018		11,267	8,532	(2,357)	(5,616)	11,826	
Total surplus/(deficit) from charitable activities 2017		11,406	1,536	(2,265)	(3,471)		7,206

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 2018

7. Analysis of governance and support costs (continued)

	Support Costs £'000	Governance Costs £'000	2018 Total £'000	2017 Total £'000	Basis of allocation
Employment costs	-	69	69	35	Staff time
Trustee expenses	-	16	16	13	Invoiced events
External auditors – audit services:					
Parent	-	120	120	116	Governance
Subsidiaries	-	80	80	65	Governance
Bank covenants	-	6	6	6	Governance
Directors Insurances	9	-	9	9	Cost
Other costs	-	-	-	7	Governance
Total	9	291	300	251	

8. Exceptional items

	2018 £'000	2017 £'000
Impairment of assets	441	-
Good to Great Programme resource and admin costs	1,881	1,558
Total costs	2,322	1,558

The impairment of assets relates to the alignment of the net book value of former care home sites with their expected net realisable values.

During the period MHA invested £2,915,000 in the Good to Great programme of systems and process improvements. Of this, £1,881,000 relates to employee, contractor and sundry office administration expenses and the remainder (hardware and software) has been capitalised as an asset in the course of construction.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

9. Operating lease commitments

	2018	2017
	Total	Total
	£'000	£'000

Operating leases

The following lease payments were made during the year in respect of operating leases:

Land and buildings	8,897	9,244
--------------------	-------	-------

At 31 March the group and charity had commitments under non-cancellable operating leases as follows:

	Land & Buildings	Land & Buildings
- expiring in one year or less	11,239	10,260
- expiring in one to two years	11,239	10,260
- expiring in two to five years	33,716	30,780
- expiring in more than five years	234,006	222,206
	<u>290,200</u>	<u>273,506</u>

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

	2018	2017
	Number	Number (restated)
Average monthly number employed		
Care homes	4,667	4,505
Retirement living	790	684
Live at home	95	93
Office staff	251	227
	<u>5,803</u>	<u>5,509</u>

The average number of staff employed represents the full time equivalent including staff on zero hour contracts; the comparatives have been adjusted to include the zero hour contract staff employed. The total number of staff employed on zero hour contracts was 1,255 (2017: 1,221). The use of zero hour contracts for care staff allows the employee the flexibility to control their work preferences.

	2018	2017
	£'000	£'000
Group staffing costs		
Wages and salaries	110,477	103,794
Social security costs	7,961	7,273
Other pension costs		
- Defined benefit pension costs (note 26)	453	516
- Defined contribution pension costs	1,544	1,502
	<u>120,435</u>	<u>113,085</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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10. Analysis of staff costs and remuneration of key management personnel (continued)

Staff costs of £874,000 for staff working only on the Good to Great programme of system and process improvement are included as an exceptional cost in the current year and not included in the group staffing costs disclosed above. These staff are included in the headcount numbers.

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 £1,047,242 (2017: £926,577). The employer's pension contribution for the key management personnel staff was £58,229 (2017: £59,102).

The key management personnel of the group are all remunerated from the parent charity. These comprise the leadership team listed in page 22 of the financial statements. The total employee benefits of the leadership team of the charity were £Nil (2017: £4,462).

The number of directors who received reimbursement for the cost of travel to and from meetings was 14 (2017: 15). The cost of travel expenses reimbursed was £12,605 (2017: £13,375). During the year an insurance premium of £8,690 (2017: £8,651) was paid to indemnify directors against liability for wrongful acts. No emoluments were paid during the year to any director. 46 (2017:35) employees earned over £60,000 in the year excluding pension contribution within the following bands:

	2018 Number	2017 Number
Between £60,001 and £70,000	27	18
Between £70,001 and £80,000	7	8
Between £80,001 and £90,000	1	3
Between £90,001 and £100,000	4	-
Between £100,001 and £110,000	3	3
Between £110,001 and £120,000	1	1
Between £130,001 and £140,000	1	-
Between £140,001 and £150,000	2	-
Between £180,001 and £190,000	-	1
Between £190,001 and £200,000	-	1

46 (2017:35) employees were members of the defined contribution pension scheme.

11. Net gains/(losses) on investments

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2018 Total £'000	2017 Total £'000
Realised gains	3	-	-	3	-
Unrealised gains/(losses)	-	(4)	(13)	(17)	64
	3	(4)	(13)	(14)	64

METHODIST HOMES
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For the year ended 31 March 2018

12. Intangible Fixed Assets

Group	Customer relationships	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	2,782	379	3,161
Additions	-	-	-
At 31 March 2018	<u>2,782</u>	<u>379</u>	<u>3,161</u>
Amortisation			
At 1 April 2017	348	47	395
Amortisation charge	1,391	190	1,581
At 31 March 2018	<u>1,739</u>	<u>237</u>	<u>1,976</u>
Net Book Value			
At 31 March 2018	<u>1,043</u>	<u>142</u>	<u>1,185</u>
At 31 March 2017	<u>2,434</u>	<u>332</u>	<u>2,766</u>

The individual intangible assets, excluding goodwill, which are material to the financial statements, are as follows. The intangible assets to relate to the acquisition of Silk Healthcare Holdings Ltd, which was completed on 7th December 2016.

	Carrying amount		Remaining amortisation period	
	2018	2017	2018	2017
	£'000	£'000	Yrs	Yrs
Resident base				
Silk Healthcare Holdings Ltd	1,043	2,434	0.75	1.75

The established resident base at the acquired four care homes represents ongoing value. The four care homes are 89% occupied of the 324 places available, of this 57% of the residents are private fee paying residents.

The useful life of the established resident base is linked to the average duration of a resident's stay in such an establishment. This has been calculated per fee paying category of resident as being 2 years, on average.

Company

The Company had no intangible assets at 31 March 2018 (2017: £nil).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

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 £'000	Total £'000
Cost / valuation							
1 April 2017	247,880	9,830	175,501	35,300	28,032	21,143	517,686
Additions during the year	7,213	-	4,758	134	1,282	26,626	40,013
Completions during the year	10,290	110	13,275	2,033	2,389	(31,090)	(2,993)
Disposals during the year	(7,213)	-	(10,356)	-	(785)	-	(18,354)
Transfer between category	24,628	15,892	(5,457)	(28,417)	1,093	(7,739)	-
31 March 2018	282,798	25,832	177,721	9,050	32,011	8,940	536,352
Accumulated depreciation impairment							
1 April 2017	25,272	1,584	19,165	4,584	8,682	-	59,287
Charge for the year	5,194	211	3,533	841	2,484	-	12,263
Impairment	294	-	147	-	-	-	441
On disposals	(3)	-	(628)	-	(83)	-	(714)
Transfer between category	765	915	(406)	(1,234)	(40)	-	-
31 March 2018	31,522	2,710	21,811	4,191	11,043	-	71,277
Net book value							
31 March 2018	251,276	23,122	155,910	4,859	20,968	8,940	465,075
31 March 2017	222,608	8,246	156,336	30,716	19,350	21,143	458,399

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

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

13. Tangible Fixed Assets (continued)

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 £2,993,000 (2017: £Nil).

The net book value at 31 March 2018 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 £'000	Total £'000
Direct charitable purposes:							
Homes	251,276	23,122	-	(2,478)	11,905	5,216	289,041
Independent living	-	-	153,000	7,337	8,112	(8,155)	160,294
Support offices	-	-	2,910	-	951	11,879	15,740
	251,276	23,122	155,910	4,859	20,968	8,940	465,075

Included within freehold land and buildings above is land of £59,580,000 (2017: £58,238,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £189,000 (2017: £685,000). The cumulative amount of capitalised interest included is £3,917,000 (2017: £3,728,000).

Included within freehold land and buildings is £8,245,000 (2017: £21,143,000) of assets in the course of construction.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

13. Tangible Fixed Assets (continued)

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 £'000	Total £'000
Cost / valuation							
1 April 2017	219,735	9,830	118,197	26,865	19,518	15,321	409,466
Additions during the year	7,213	-	3,391	-	1,243	19,018	30,865
Completions during the year	9,950	110	9,520	2,033	2,163	(26,754)	(2,978)
Disposals during the year	(108)	-	(9,828)	-	(151)	-	(10,087)
Transfer between category	17,523	15,892	(5,457)	(28,417)	459	-	-
31 March 2018	254,313	25,832	115,823	481	23,232	7,585	427,266
Accumulated depreciation impairment							
1 April 2017	23,317	1,584	12,315	3,481	7,693	-	48,390
Charge for the year	4,657	211	2,432	712	2,260	-	10,272
Impairment	294	-	147	-	-	-	441
On disposals	(3)	-	(612)	-	(83)	-	(698)
Transfer between category	765	915	(406)	(1,234)	(40)	-	-
31 March 2018	29,030	2,710	13,876	2,959	9,830	-	58,405
Net book value							
31 March 2018	225,283	23,122	101,947	(2,478)	13,402	7,585	368,861
31 March 2017	196,418	8,246	105,882	23,384	11,825	15,321	361,076

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

13. Tangible Fixed Assets (continued)

The net book value at 31 March 2018 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 £'000	Total £'000
Direct charitable purposes:							
Homes	225,283	23,122	-	(2,478)	11,741	4,667	262,335
Independent living	-	-	99,037	-	758	(6,061)	93,734
Support offices	-	-	2,910	-	903	8,979	12,792
	225,283	23,122	101,947	(2,478)	13,402	7,585	368,861

Included within freehold land and buildings above is land of £52,598,000 (2017: £50,484,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £189,000 (2017: £587,000). The cumulative amount of capitalised interest included is £3,813,000 (2017: £3,624,000).

Included within freehold land and buildings is £6,890,000 (2017: £15,321,000) of assets in the course of construction.

14. Capital Commitments

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Expenditure contracted, less certified	8,604	14,534	7,903	14,534

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 2018. 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 2018

15. Investments - In Subsidiaries

Company	2018
	£'000
At 1 April 2017	24,374
Acquisitions	-
At 31 March 2018	<u>24,374</u>

Analysed as:

Silk Healthcare Holdings Ltd	24,374
	<u>24,374</u>

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

Silk Healthcare Holdings Ltd

MHA acquired 100% of the equity share capital of Silk Healthcare Holdings Limited on 7 December 2016. The address of the registered office of Silk Healthcare Holdings Limited is Greenside House, Greenside Avenue, Staincross, Barnsley, South Yorkshire, S75 6BB. Refer to note 28 for details of the acquisition.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

16. Investments - Group and Company

	Unrestricted	Restricted	Endowment	2018	2017
	Funds	Funds	Funds	Total	Total
	£'000	£'000	£'000	£'000	£'000
1 April 2017	-	439	758	1,197	1,133
Net gain/(loss) on revaluation	-	(4)	(13)	(17)	64
31 March 2018	-	435	745	1,180	1,197
The securities represent:					
Methodist Church Central Finance Board:					
Equity fund units	-	316	-	316	330
Fixed interest fund units	-	119	745	864	867
31 March 2018	-	435	745	1,180	1,197

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade debtors	7,085	6,469	6,243	5,548
Due from group undertakings	-	-	20,930	14,476
Other debtors	627	1,377	274	731
Prepayments and accrued income	6,488	6,339	5,864	5,739
	<u>14,200</u>	<u>14,185</u>	<u>33,311</u>	<u>26,494</u>

Amounts receivable from group undertakings comprise a formal loan of £3,500,000 (2017: £3,500,000) which is interest bearing at a rate of 0.5% per annum (2017: 0.5%) unsecured and repayable on demand, and £17,430,000 (2017: £10,976,000) recharges arising from operational activities which is not interest bearing, is unsecured and payable on demand.

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18. Creditors: Amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade creditors	4,986	4,915	4,525	4,446
Due to group undertakings	-	-	8,700	23,210
Charges and rents in advance	5,403	5,143	4,858	4,668
Deferred Income – buy back properties	946	1,139	750	929
Accruals and deferred income	11,004	10,821	9,776	9,740
Taxation and social security	3,763	3,537	3,586	3,344
Corporation Tax	-	-	-	-
Unpaid pension contributions	521	373	507	358
Loans – principal and interest	2,285	3,264	1,217	1,127
Other creditors	12,686	9,060	11,030	7,710
	<u>41,594</u>	<u>38,252</u>	<u>44,949</u>	<u>55,532</u>

Amounts due to group undertakings have arisen from the settlement of the sale and leaseback proceeds following the gift aid payment as well as the acquisition of the Stainton Care Home.

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For the year ended 31 March 2018

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

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Derivative financial instruments	3,772	6,615	3,772	6,615
Loans:				
- Between one and two years	2,393	3,160	1,446	1,349
- Between three and five years	7,919	8,218	4,992	4,657
- In five years or more	92,774	95,472	89,242	90,700
Less loan arrangement fees	(792)	(924)	(792)	(924)
	102,294	105,926	94,888	95,782
Unamortised grants – deferred income:				
- Between one and two years	1,040	1,040	-	-
- Between three and five years	3,003	3,053	-	-
- In five years or more	14,293	15,284	-	-
	18,336	19,377	-	-
Deferred Income – buy back properties:				
- Between one and two years	885	1,111	697	914
- Between three and five years	2,239	2,066	1,760	1,702
- In five years or more	587	2,098	336	1,690
	3,711	5,275	2,793	4,306
Total	128,113	137,193	101,453	106,703

The split of aging for the year ended 31 March 2017 has been re-examined between the three to five year and over five year categories.

The loans are secured on certain care home and housing properties, representing 46% of the value of Freehold Land and Buildings (2017: 46%). The interest rates payable on these loans, plus the short-term loans of £2,417,000 (2017: £3,418,000), are as detailed below, confirming the drawn down amounts as at 31 March 2018, the interest rate and the respective terms.

Company £'000

- £70,000 is payable at LIBOR plus a margin of 2.2% until March 2025
- £27,029 is payable at LIBOR plus a margin 0.78%
- £97,029 Company total

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

Subsidiaries £'000

- £3,269 is payable at LIBOR plus a margin of 0.48% until 31 December 2021
 - £161 is fixed at a rate of 4.5% until 1 March 2023
 - £1,152 is fixed at a rate of 10.6878% until 31 March 2049
 - £3,761 is payable at LIBOR plus a margin of 1% until 7 January 2024
 - £132 is payable at LIBOR plus a margin of 1% until 7 September 2018
- £8,475 **Subsidiaries total**
£105,504 **Group total**

Of the outstanding loan balance £70,000,000 (2017: £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 (2017: £70,000,000) of the loan balance. The fair value of the interest swaps as at 31st March 2018 is £3,772,000 (2017: £6,615,000) representing the cost of exiting this arrangement, which is not currently intended by the company. The effect of this interest rate swap is to decrease bank loan interest by £2,844,000 (2017: increase of £790,000).

20 Provisions for liabilities

	1 April 2017 £'000	Created on new transactions £'000	Charge for year £'000	Decrease in provision £'000	Utilisation of provision £'000	31 March 2018 £'000
Group						
Guarantee property buy-backs	58,500	1,438	(218)	(218)	(10,043)	49,459
Remediation provision	422	-	-	-	-	422
Live at Home provision	323	-	-	-	(323)	-
Housing for sale provision	-	570	-	-	-	570
	<u>59,245</u>	<u>2,008</u>	<u>(218)</u>	<u>(218)</u>	<u>(10,366)</u>	<u>50,451</u>
Company						
Guarantee property buy-backs	44,141	59	(173)	-	(7,894)	36,133
Live at Home provision	323	-	-	-	(323)	-
Housing for sale provision	-	570	-	-	-	570
	<u>44,464</u>	<u>629</u>	<u>(173)</u>	<u>-</u>	<u>(8,217)</u>	<u>36,703</u>

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 10 years. Provisions are discounted at the appropriate risk free rate. The relevant ten and five

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20. Provisions for liabilities (continued)

year government bond rates have been used depending on the remaining expected life of the individual commitments by property, these being 1.39% and 0.895% respectively (2017: 1.072% and 0.398%).

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

The Live at Home provision relates to the post year end liabilities, specific to identified Live at Home schemes, which are under review for continuation and viability.

The Housing for sale provision relates to an onerous contract where the purchase price of properties currently in development is estimated to exceed the likely net sales proceeds.

21. Financial instruments

Group

The group has the following financial instruments:

	Note(s)	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	17	7,085	6,469
Other debtors and accrued income		2,679	1,449
		<u>9,764</u>	<u>7,918</u>
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	16	<u>1,180</u>	<u>1,197</u>
Financial liabilities measured at amortised cost:			
Trade creditors	18	(4,986)	(4,915)
Accruals		(10,545)	(10,570)
Loans (including interest)	18/19	(104,579)	(110,246)
Other creditors		(15,898)	(12,056)
		<u>(136,008)</u>	<u>(137,787)</u>
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	19	<u>(3,772)</u>	<u>(6,615)</u>

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NOTES TO THE FINANCIAL STATEMENTS
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21. Financial instruments (continued)

Company

The company has the following financial instruments:

		2018	2017
	Note(s)	£'000	£'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	17	6,243	5,548
Due from group members	17	20,930	14,476
Other debtors and accrued income		2,254	1,506
		<u>29,427</u>	<u>21,530</u>
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	16	<u>1,180</u>	<u>1,197</u>
Financial liabilities measured at amortised cost:			
Trade creditors	18	(4,525)	(4,446)
Due to group undertakings	18	(8,700)	(23,210)
Accruals		(9,262)	(9,640)
Loans (including interest)	18/19	(96,105)	(97,833)
Other creditors		(15,122)	(11,372)
		<u>(133,714)</u>	<u>(146,501)</u>
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	19	<u>(3,772)</u>	<u>(6,615)</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 2018 is £3,772,000 (2017: £6,615,000). 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.

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For the year ended 31 March 2018

22. Share Capital

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

23. Endowment funds

Movement in Funds

	1 April 2017 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2018 £'000
Group and Company							
H D Clarke Memorial	918	7	-	(13)	-	-	912
Redcroft Residential Home	65	-	-	-	-	-	65
	<u>983</u>	<u>7</u>	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>977</u>

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24. Restricted income funds

Movement in Funds

Group

	1 April	Incoming	Outgoing	Gains on	Transfers	Transfers	31
	2017	£'000	£'000	investment	between	between	March
	£'000	£'000	£'000	assets	restricted	restricted	2018
				£'000	funds	and	
					£'000	unrestricted	
						funds	
						£'000	£'000
Care Homes	16,355	577	(1,300)	(4)	-	(142)	15,486
Independent living	1,875	373	(991)	-	-	-	1,257
Retirement housing	4,601	2,657	(2,759)	-	-	89	4,588
Big Lottery Fund grant	-	41	(41)	-	-	-	-
Live at home	2,896	2,557	(3,142)	-	-	372	2,683
Amenity funds	1,030	613	(394)	-	-	(6)	1,243
	26,757	6,818	(8,627)	(4)	-	313	25,257

Movement in Funds

Company

	1	Incoming	Outgoing	Gains on	Transfers	Transfers	31
	April	£'000	£'000	investment	between	between	March
	2017	£'000	£'000	assets	restricted	restricted	2018
	£'000	£'000	£'000	£'000	funds	and	
					£'000	unrestricted	
						funds	
						£'000	£'000
Care Homes	16,267	577	(1,300)	(4)	-	(142)	15,398
Independent living	1,956	161	(596)	-	-	-	1,521
Retirement housing	4,601	2,657	(2,759)	-	-	89	4,588
Big Lottery Fund grant	-	41	(41)	-	-	-	-
Live at home	2,896	2,557	(3,142)	-	-	372	2,683
Amenity funds	1,023	609	(390)	-	-	(6)	1,236
	26,743	6,602	(8,228)	(4)	-	313	25,426

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

24. Restricted income funds (continued)

The Homes, Independent Living and Retirement Housing 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.

The Big Lottery Fund Grant helped to establish eight new Community Hubs within existing Methodist Homes housing projects. The total value of the grant is £264,000 over four years beginning June 2012. £nil was received in the year (2017: £Nil). Other Big Lottery Fund Grants of £41,000 (2017: £175,000) 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 2017	26,757	983	225,788	253,528
Surplus for the year	(1,813)	(6)	17,766	15,947
Actuarial gain	-	-	4,673	4,673
Deficit on interest rate swaps	-	-	2,844	2,844
Transfers	313	-	(313)	-
At 31 March 2018	<u>25,257</u>	<u>977</u>	<u>250,758</u>	<u>276,992</u>

	Restricted Income Funds	Endowment Funds	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000
Company				
At 1 April 2017	26,743	983	182,879	210,605
Surplus for the year	(1,630)	(6)	34,396	32,760
Actuarial gain	-	-	4,673	4,673
Deficit on interest rate swaps	-	-	2,844	2,844
Transfers	313	-	(313)	-
At 31 March 2018	<u>25,426</u>	<u>977</u>	<u>224,479</u>	<u>250,882</u>

The company's surplus before donations for the year to 31 March 2018 amounted to £16,087,000 (2017: £3,253,000). The company's surplus after donations for the year to 31 March 2018 amounted to £40,277,000 (2017: £3,469,000) from a gross income of £224,593,000 (2017: £190,308,000).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

26. Pensions and Similar Obligations

A defined contribution scheme, Growth Plan 4, was available to all employees. The charge for the year covered 400 (2017: 456) employees. The contribution rate of MHA for the year varied between 1% 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:

	2018	2017	2016	2015
	%pa	%pa	% pa	% pa
Inflation (CPI)	2.20%	2.30%	2.00%	2.00%
Inflation (RPI)	3.20%	3.30%	3.00%	3.00%
Rate of increase in salaries	4.20%	4.30%	4.00%	4.00%
Rate of increase for pensions in payment	1.70%	1.75%	1.70%	1.70%
Rate of increase for deferred pensions	3.20%	3.30%	3.00%	3.00%
Discount rate	2.60%	2.60%	3.50%	3.10%

* Pensions accrued before 1 January 2000 for members who joined the scheme before 1 November 1998 are subject to guaranteed fixed increases of 5% (2017: 5%) per annum in deferment and in payment.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

26. Pensions and Similar Obligations (continued)

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

	2018	2017	2016	2015
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:

	2018	2017	2016	2015
Pensioner currently aged 65:	Years	Years	Years	Years
Male	22.40	23.20	23.10	23.30
Female	24.00	24.90	24.80	25.00
Non-Pensioner currently aged 45:				
Male	23.80	24.90	24.80	25.10
Female	25.30	26.40	26.30	26.50

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 2018 £'000	Fair value 2017 £'000
Equities	26,296	28,353
Government bonds	23,068	20,376
Property	3,436	3,172
Cash	440	154
Total market value of assets	53,240	52,055
Present value of scheme liabilities	(59,194)	(65,139)
Deficit in the scheme	(5,954)	(13,084)

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

26. Pensions and Similar Obligations (continued)

The last formal valuation of the scheme was performed as at 30 September 2016 by a professionally qualified actuary.

The actuary has confirmed that the existing contribution level can continue 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

	2018	2017
	£'000	£'000
Current service cost	(149)	(129)
Expected return on scheme assets	1,331	1,515
Interest on pension scheme liabilities	(1,635)	(1,902)
Net cost	<u>(304)</u>	<u>(387)</u>
Total cost	<u><u>(453)</u></u>	<u><u>(516)</u></u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

26. Pensions and Similar Obligations (continued)

Analysis of amount recognised as Actuarial (loss)/gain

	2018	2017
	£'000	£'000
Actuarial gain/(loss) recognised in the Consolidated Statement of Financial Activities	4,673	(2,225)
Total credit/(charge) to Consolidated Statement of Financial Activities	4,220	(2,741)
Cumulative actuarial losses	(12,839)	(17,512)

Statement of Financial Position impact

	2018	2017
	£'000	£'000
Present value of funded obligations	(59,194)	(65,139)
Fair value of scheme assets	53,240	52,055
Deficit in the scheme at 31 March	(5,954)	(13,084)

	2018	2017
	£'000	£'000
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	65,139	55,308
Service cost	149	129
Interest cost	1,635	1,902
Actuarial (gain)/loss	(3,078)	9,868
Net benefits paid including expenses	(4,651)	(2,068)
Closing defined benefit obligation	59,194	65,139

	2018	2017
	£'000	£'000
Changes in fair value of plan assets		
Opening fair value of plan assets	52,055	43,677
Expected return	1,331	1,515
Actuarial gain	1,595	7,643
Contributions by employer	2,910	1,288
Employer contribution adjustment	-	-
Net benefits paid including expenses	(4,651)	(2,068)
Closing fair value of plan assets	53,240	52,055
Return on plan assets	2,926	9,158

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

26. Pensions and Similar Obligations (continued)

- (ii) The previous Growth Plan is a multi-employer defined benefit scheme which is administered by The Pensions Trust. The actuary has completed a tri-annual valuation as at 30 September 2016 showing a funding level of 88.8%. Additional contributions of £62,170 (2017: £60,359) were paid during the year.
- (iii) The contribution by the group to the defined benefit scheme paid during the year amounted to £2,910,420 (2017: £1,288,000). 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 2017/18 in respect of the defined contribution scheme were £747,504 (2017: £810,972).
- (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 1% of pensionable pay for all those included in the scheme from 1 April 2013. The contributions for the year were £804,468 (2017: £787,559).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

27. Notes to the Cash Flow Statement

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

	2018	2017
	£'000	£'000
Net income	15,947	12,345
Unrealised (gains)/losses on investment	14	(64)
Investment income	(76)	(128)
Release of capital grants	(1,040)	(1,040)
Interest charge	3,706	3,393
Profit on sale of retirement living housing	(9,934)	(2,968)
Depreciation charges	12,263	11,957
Amortisation	1,581	395
Impairment of fixed assets	441	-
Defined benefit scheme pension contributions paid in the year	(2,910)	(1,288)
Defined benefit scheme pension cost charged in the year	453	516
Increase in debtors	(15)	(920)
Decrease in creditors and provisions for liabilities	(5,066)	(2,532)
Net cash provided by operating activities	15,364	19,666

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 £232,000 (2017: £225,000) 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.

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

	2018	2017
	£'000	£'000
Decrease in cash and cash equivalents	(3,291)	(11,176)
Cash movement in borrowings	4,762	18,868
Change in net funds resulting from cash flows	1,471	7,692
Change in net funds resulting from non-cash flows	(151)	(14,530)
Movement in net debt		
Net debt as at 1 April	(84,435)	(77,597)
Net debt as at 31 March	(83,115)	(84,435)

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

27. Notes to the Cash Flow Statement (continued)

	Analysis of changes in net debt			31 March 2018
	1 April 2017	Cash flow	Other Non-cash changes	
	£'000	£'000	£'000	£'000
Cash at bank and in hand	24,755	(3,291)	-	21,464
Loans due within one year	(3,264)	3,264	(2,285)	(2,285)
Loans due after more than one year	(105,926)	1,498	2,134	(102,294)
	(84,435)	1,471	(151)	(83,115)

28. Group Structure

Methodist Homes has the following subsidiary undertakings:

Methodist Homes Housing Association

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

	2018 £'000	2017 £'000
Assets	72,206	70,607
Liabilities	(25,899)	(26,943)
Funds	46,307	43,664
Incoming resources	6,662	6,646
Resources expended	(4,019)	(4,529)
Movement in funds	2,643	2,117

MHA Auchlochan Limited

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

	2018 £'000	2017 £'000
Assets	33,373	33,309
Liabilities	(37,142)	(37,689)
Funds	(3,769)	(4,380)
Incoming resources	6,771	7,074
Resources expended	(6,162)	(6,970)
Movement in funds	609	104

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

28. Group Structure (continued)

Silk Healthcare Limited

Company Registered Number: 05893616
Principal activity: Provision of Healthcare

	2018	2017
	£'000	£'000
Assets	5,136	3,516
Liabilities	(3,463)	(1,198)
Funds	1,673	2,318
Incoming resources	10,733	12,046
Resources expended	(11,378)	(10,543)
Movement in funds	(645)	1,503

Silk Healthcare Holdings Limited

Company Registered Number: 07839421
Principal activity: Holding Company of two subsidiaries

	2018	2017
	£'000	£'000
Assets	547	576
Liabilities	(26)	(7)
Funds	521	569
Incoming resources	-	350
Resources expended	(48)	(316)
Movement in funds	(48)	34

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

28. Group Structure (continued)

Swift Build Properties Limited

Company Registered Number:

05095073

Principal activity:

Development of Care Homes

	2018	2017
	£'000	£'000
Assets	9,067	24,963
Liabilities	(4,499)	(2,605)
Funds	4,568	22,358
Incoming resources	-	1,666
Resources expended	(17,790)	(1,008)
Profit on disposal of investment property	-	4,407
Tax	-	3,206
Movement in funds	(17,790)	8,271

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 £2,910,000 (2017: £1,288,000).

During the financial year to 31 March 2018 two (2017: two) members of the senior management of the company and one Board member 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 2018

29. Related party transactions (continued)

The related party transactions are as follows:

	2018	2017
	£'000	£'000
Transactions		
Pension scheme – Defined benefit	2,910	1,288
Pension scheme – Defined contribution	2,921	2,962
Care England	30	30
	<u>5,861</u>	<u>4,280</u>
	2018	2017
	£'000	£'000
Balances		
Pension scheme – Defined benefit	(5,954)	(13,084)
Pension scheme – Defined contribution	(250)	(237)
	<u>(6,204)</u>	<u>(13,321)</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

30. Statement of Financial Activities for prior year

	Note(s)	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2017 £'000
Income and endowments from:					
Donations and legacies	2	3,866	1,886	-	5,752
Charitable activities					
Homes		159,006	141	-	159,147
Retirement Living		34,963	3,060	-	38,023
Live at Home		-	2,277	-	2,277
Other		1,762	-	-	1,762
Total charitable activities	3/6	195,731	5,478	-	201,209
Investments	4	80	43	5	128
Total		199,677	7,407	5	207,089
Expenditure on:					
Raising funds		563	-	-	563
Charitable activities					
Homes		146,774	967	-	147,741
Retirement living		33,031	3,456	-	36,487
Live at home		796	3,746	-	4,542
Other		5,233	-	-	5,233
Total charitable activities	6	185,834	8,169	-	194,003
Other		242	-	-	242
Total	5	186,639	8,169	-	194,808
Net gains/ (losses) on investments	11	-	30	34	64
Net income		13,038	(732)	39	12,345
Transfer between funds		(1,187)	1,124	63	-
Other recognised losses:					
Actuarial losses on defined benefit pension schemes	26	(2,225)	-	-	(2,225)
Other losses – interest rate swaps		(790)	-	-	(790)
Net movement in funds		8,836	392	102	9,330
Reconciliation of funds:					
Total funds brought forward		216,952	26,365	881	244,198
Total funds carried forward		225,788	26,757	983	253,528