

# Methodist Homes

## Report & Accounts

31st March 2014



METHODIST HOMES  
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METHODIST HOMES  
BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT  
31 MARCH 2014

**1. STRATEGIC REPORT**

**Objectives and Activities**

The objects of Methodist Homes (“MHA”) and its subsidiary undertakings are to provide the following services for older people and other adults in need:

- accommodation; and/or
- care and support services; and/or
- any other provision which may facilitate an improved quality of life.

The Board has due regard of the Charities Act 2011 and 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. Our beneficiaries are split broadly 50:50 into those that are fully self-funded and those that are partially or fully funded by the local authority or the NHS.

Methodist Homes’ mission is to improve the quality of life for older people, inspired by Christian concern. Our values underpin all our services which combine compassionate care for each individual and high professional standards.

Our main objectives for the coming year are to continue to provide high quality services and to reach out to more older people by developing new care accommodation and support services to meet the needs and expectations of Britain’s ageing society.

**Significant Activities**

The significant charitable activities undertaken are:

i. Care Homes

Residential, Dementia and Nursing Care Homes offer 24-hour person-centred care and support generally in specially designed accommodation with private en suite bedrooms and spacious dining facilities, communal areas and gardens. Full and varied activities programmes, including shared worship, are made available to meet the needs of each individual.

ii. Retirement Living

Self contained apartments with individual kitchen, bathroom, bedroom and living areas for independence and privacy coupled with shared areas for activities, social events and friendship; available for rent, shared ownership and purchase.

The Manager organises cleaning and maintenance of the building and gardens and is also on hand to provide assistance, ensuring safety and security. Services with care offer the addition of 24-hour staffing to provide person-centred care and support to meet individual needs, including specialist dementia care.

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**Significant Activities (Continued)**

iii. Live at Home

Community-based support for older people living in their own home. Companionship, outings and help with shopping, nourishing hot meals and social activities - all designed to help older people stay independent and supported in their own home and community. This service is provided largely by volunteers working with MHA’s management infrastructure and support.

**Achievements and Performance**

**Methodist Homes**

<b>In 2013/14 we said we would:</b>	<b>Here’s what we did:</b>
Maintain and enhance the quality of our services and improve satisfaction levels among residents and service users	<ul style="list-style-type: none"> <li>• Commissioned Satisfaction Survey ‘Your Care Rating’ to provide residents living in care homes with the opportunity to give their views via an independent confidential survey. Our results showed an overall performance rating of 97% and a satisfaction level of 88% for our care homes.</li> </ul>
Develop new care homes and retirement living apartments to meet the needs of the growing number of older people	<ul style="list-style-type: none"> <li>• Opened Hatherlow House in Southport - a new independent living with care service specially designed for couples where one partner has dementia.</li> <li>• Completed the first phase of apartments in Chippenham, next to our new care home, Fairways, creating a retirement community with a range of services on a single site.</li> <li>• Completed additional apartments at Edina Court in Wisbech.</li> <li>• Began the redevelopment of Hall Grange at Shirley, Croydon, to provide a new care home and 22 apartments offering independent living with care.</li> <li>• Commenced the redevelopment of Woodbank in Woking whereby the home closed in late 2013 to make way for a new development of 40 apartments to be built.</li> <li>• Commissioned a flexible service tailored to the needs of older people in Stockport in 51 purpose-built apartments in partnership with Gladman.</li> <li>• Had plans approved for the redevelopment of Maidment Court at Poole, where the present care home will be replaced by 87 apartments.</li> </ul>
Extend our services to more older people	<ul style="list-style-type: none"> <li>• Offered accommodation, care and support services capacity to around 16,000 older people                         <ul style="list-style-type: none"> <li>○ 4,600 older people living in over 90 care homes - residential, nursing and dementia specialist care</li> <li>○ 2,300 older people living independently – in a range of purpose-built apartments with flexible support and personalised care</li> <li>○ 9,000 older people supported by over 70 Live at Home schemes in the community</li> </ul> </li> <li>• Established Live at Home services in our Retirement Housing (hubs) include:                         <ul style="list-style-type: none"> <li>○ Befriending and lunch club at Epworth Court, Swindon</li> <li>○ Lunch club at Willcox Close, Glastonbury</li> <li>○ Memory Café at Field Court, York</li> </ul> </li> </ul>

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<b>Achievements and Performance (Continued)</b>	
<b>In 2013/14 we said we would:</b>	<b>Here's what we did:</b>
Develop our dementia care	<ul style="list-style-type: none"> <li>• 'The Person Inside' specialist dementia training programme for MHA staff members has been developed in conjunction with, and accredited by Bradford University</li> <li>• A growing number of over 50 trained MHA Dementia Facilitators are training their colleagues in key areas including:               <ul style="list-style-type: none"> <li>○ Positive Communication, Understanding Care Planning and Life Story</li> </ul> </li> <li>• Continued our specialist dementia care with Music Therapy and Reflexology supporting our approach</li> </ul>
Support staff to achieve the skills and knowledge required to serve older people	<ul style="list-style-type: none"> <li>• QCF Diplomas and Apprenticeships are available to staff in a wide range of vocational areas. MHA currently has 300 employees working towards a vocational qualification, including the Diploma in Health &amp; Social Care.</li> <li>• 29 managers are training via the Developing Leader's or Aspiring Leader's programmes leading to the ILM Level 4 or 5 Certificate in Leadership &amp; Management; and 3 senior managers are continuing to study towards an MSc in Leadership, Management &amp; Change in Health &amp; Social Care with Bradford University</li> <li>• MHA recruited two of its own graduates last year and also hosted a graduate from the National Skills Academy for Adult Social Care.</li> <li>• MHA's Values based leadership has been built into all leadership and management courses.</li> </ul>

**MHA Auchlochan:**

<b>In 2013/14 we said we would:</b>	<b>Here's what we did:</b>
Continue the upgrade and refurbishment of the Courtyard assisted living properties	<ul style="list-style-type: none"> <li>• Upgrade continues, to reflect demand</li> </ul>
Achieve full occupation of the new Retreat	<ul style="list-style-type: none"> <li>• Only one apartment remains unoccupied</li> </ul>

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**Methodist Homes Housing Association:**

<b>Achievements and Performance (Continued)</b>	
<b>In 2013/14 we said we would:</b>	<b>Here’s what we did:</b>
Extend our services to more older people	<ul style="list-style-type: none"> <li>• Construction of 4 additional flats at Muswell Hill completed</li> </ul>
Continue to develop the concept of Live at Home style services based in some of our sheltered schemes	<ul style="list-style-type: none"> <li>• Lunch club, arts and craft group and exercise class now established at Taransay Court, Milton</li> <li>• Memory Café for older people with dementia at Field Court, York</li> <li>• Lunch club and befriending at Emmandjay Court, Ilkley and Grace Court, Folkestone, North Bellot Court, Barnstaple and Pilgrims Court, Newcastle</li> </ul>

**Financial Review**

The Statement of Financial Activities shows total incoming resources of £196.5m (2013 £179.7m), a 9.3% increase on the previous financial year, this is due to the growth in new services for older people noted above, together with an inflationary increase.

The surplus generated by our Care Homes has benefitted from the impact of recent acquisitions. This has been partially offset by the impact of local authority and NHS austerity measures.

We have been investing in our Retirement Living services and creating new services with partners. Purpose-built apartments offering 24/7 support and flexible care packages are popular with single older people and couples and is a focus for future growth for MHA. The flexibility we offer in our terms, and the option of renting, buying, or a combination, are key to the service.

We are grateful for the generous donations received of £5,069k which we have used to:

- Provide chaplaincy services in all our residential services
- Provide reflexology in all our care services and music therapy in our dementia care services
- Underpin the Live at Home services
- Contribute towards the capital costs of our new and existing services

An exceptional charge of £3.2m has been made for the write down of properties acquired from Southern Cross in 2011. This primarily relates to St. Andrews Lodge, Nottingham which sadly had to close during the year, and 3 other ex-Southern Cross Homes.

In addition, MHA Auchlochan incurred an exceptional charge of £1m on the demolition of the closed care home, Auchlochan House.

The net movement of funds of £9.5m is added to the total balances brought forward of £223.6m.

The directors consider the market value at 31 March 2014 of the Freehold and Leasehold land and buildings to be in excess of the costs or valuation as stated in note 9 to the financial statements, based on independent valuations.

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**Key Indicators**

	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
	<b>Actual</b>	<b>As restated</b>	<b>As restated</b>
	<b>£m</b>	<b>Actual</b>	<b>Actual</b>
		<b>£m</b>	<b>£m</b>
Total income	196.5	179.7	153.7
Operating costs excluding exceptional costs	181.5	169.1	143.1
Exceptional costs	4.2	-	-
Surplus for the year (before investment gains and losses)	10.8	10.6	10.6
<i>Service users capacity</i>	Number	Number	Number
Care homes	4,600	4,700	4,600
Retirement Living	2,300	2,200	2,000
Community Services	9,000	9,000	9,000
<i>Occupancy</i>			
Care homes	92.1%	92.7%	91.3%
Retirement Living	97.6%	98.5%	99.3%
Residents satisfaction – Care homes	88%	89%	88%
Residents satisfaction – Retirement Living	n/a	n/a	90%
Cost of fundraising to voluntary income	12.5%	10.1%	12.1%

**Reserves Policy**

The Board of Directors have 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, the risk of possible shortfalls in charitable income and other contingencies.

The Board considers that minimum unrestricted reserves of cash and investments of approximately £11m 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 £19.1m (2013 £13.4m).

The level of free reserves, excluding long-term loans (which have been taken out to finance the development programme), restricted and designated funds and those invested in fixed assets are £46.7m (2013 £36.8m). These reserves are intended for future service development.

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.

# METHODIST HOMES

## BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT

### 31 MARCH 2014

#### **Investment Policy**

This policy covering investment objectives is reviewed by the Audit Committee and 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, as follows:

- 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 investments have been traded during the year, on the advice of the investment manager to comply with the Ethical Fundraising policy and the strong policies of the CFB on ethical investments, in order to move towards the agreed objectives. Investments are held in equities, fixed interest and cash.

Following a review by the Audit Committee, investments held to cover General Funds were moved into cash and short term deposits.

#### **Principal Funding Sources**

MHA has fully drawn loan facilities with the Allied Irish Bank, (current balance at 31 March 2014 being £31.2m) and Barclays Bank Plc, (balance at 31 March 2014 being £45.0m). A further loan facility of £20m (drawn £8.8m) has been arranged with the Royal Bank of Scotland. Methodist Homes Housing Association has arranged a loan facility with the Nationwide Building Society to draw up to £5m which was fully drawn, the balance at 31 March 2014 being £4.1m. MHA Auchlochan has arranged a loan facility with the Allied Irish Bank which was fully drawn by 31 March 2012, the balance at 31 March 2014 being £13.7m. Fixed asset additions of £24.9m 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.

#### **Risk Management**

The Board oversees strategic risk annually with additional operational risk assessment through delegation to the Audit Committee. Risk control is exercised appropriately by Executive Directors undertaking a formal half yearly review of strategic and operational risks for their respective areas.

Risk management is embedded into the organisation by Executive Directors and Senior Managers calculating the risk reviews and obtaining feedback to inform the half yearly reviews.

The key risks likely to affect the Group's ability to meet its objectives include: the impact of the economic recession on the care and housing sector and particularly the availability of state funding affecting our ability to serve older people with limited personal means, final salary scheme funding and a seriously poor reputation at one or more schemes, undermining confidence of supporters and lenders. These risks are monitored and appropriate actions taken.

# METHODIST HOMES

## BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT

### 31 MARCH 2014

#### **New Chief Executive and Chair**

Roger Davies stood down after serving MHA for almost 15 years, the last 12½ years as Chief Executive. We are grateful for all that MHA achieved under Roger's leadership and wish him every success in the future. Following an open recruitment process, the Board appointed Adrian Bagg as the new Chief Executive, and he joined MHA on 1 March 2014. For the past seven years he led the Papworth Trust, a leading disability charity, and prior to that he worked for over 20 years in the corporate sector as a senior executive driving global business change. He is a trustee of The Children's Society and is an accredited Baptist, Methodist and United Reformed Church lay preacher.

Keith Salsbury stands down from the Board of MHA in August 2014 after completing his six-year term as Chair. Keith has been a very active and popular Board member with MHA since 2001 and a very successful Chair and we are very grateful for his valuable contribution. Keith will be succeeded as Chair by current Board Member, Graham Smith. For over 30 years Graham has held senior positions at Board level in the health and social care sector both in this country and in Europe. He is currently Chair of 4 other charities and commercial organisations including Voyage Care Group the UK's leading provider of care services for adults with learning disabilities.

#### **Future Developments**

##### Building Upgrades/Replacements

We will take the following action to improve our current buildings

- Shirley – complete first phase of re-provision of home with additional 22 apartments on site
- Bromley – plan service re-configuration with freeholder

##### New Services

The spread and range of services provided will be extended through the following planned developments:

- Chippenham (Fairways) – complete 75 apartments – development partnership with M F Freeman Limited
- Corsham (Wadswick Green) – apartments – development partnership agreed with Rangeford Holdings Limited – start on site phase 1
- Peterborough (Assisted Living) – commence 50 apartments
- Pickering (Mickle Hill) – care suites/apartments/bungalows – development partnership agreed with Rangeford Holdings Limited. Start on site on phase 1
- Poole – to re-provide on existing site with 87 apartments/care suites
- Swindon (Fitzwarren Apartments) – commence 37 apartments
- Woking (Woodbank) – commence 40 apartments

# METHODIST HOMES BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT 31 MARCH 2014

## **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 Memorandum and Articles of Association dated 31 March 2011.

For the year ended 31 March 2014 Methodist Homes has been the parent company of the connected charitable organisations Methodist Homes Housing Association and MHA Auchlochan.

### **Organisational Structure**

The Board consists of up to twelve Board Members, one of whom is nominated by the Methodist Church.

The Board has the following committees, all of which have a group-wide remit:

- The Audit Committee advises the Board on all matters relating to the annual financial statements, external audit, risk management and internal financial control.
- The Remuneration Committee determines, on behalf of the Board, the remuneration of the Leadership team.

### **Election and Appointment of Board Members**

The Church nominee is nominated by the Conference of the Methodist Church.

Board Members are appointed by the Board. The recruitment of new Board Members is through a process of advertisement, application and interviews ensuring collectively we have a range of skills, knowledge and experience.

The Chair may serve for a maximum period of nine years and Board Members may serve for a maximum period of six consecutive years, subject to re-election during that period.

Members who served on the Board during the year are shown in the list of officers on page 12.

### **Induction and Training of Board Members**

New Board members receive full induction which includes our Code of Conduct, constitutional documents, policies and information relevant to the work of the Charity.

In addition, all Board members visit services and further develop understanding of the work of the organisation. Visits to services are also an annual feature of Board meetings. Training of all Board members is provided in accordance with requirements and as a result of annual performance appraisals. Insurance has been taken to indemnify Board members against liability for wrongful acts.

The 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.

# METHODIST HOMES

## BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT

### 31 MARCH 2014

#### **Patrons**

We would like to take this opportunity to thank our Patrons, Baroness Kathleen Richardson of Calow, OBE and Pam Rhodes. Their support is invaluable in raising the profile of the organisation and helping the Charity to reach out to more older people in need. Opening new developments and services, supporting national events and backing major capital appeals generates essential charitable income and the time and contribution given by our Patrons is greatly appreciated.

#### **Connected Charities**

During the year to 31 March 2014 Methodist Homes worked closely with two associated charitable organisations:

Methodist Homes Housing Association (MHHA) - subsidiary undertaking  
MHA Auchlochan (MHAA) - subsidiary undertaking

#### **Staff Members**

MHA is fortunate in employing so many managers and 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 managers and staff members through rewards, training, personal development and career opportunities, flexible benefits and engagement, including motivation and participation. We are grateful for the contribution and work of all staff, who together, make a real difference to the lives of older people.

Consultation with staff members has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interest, and that all staff members are aware of the quality measures and financial performance of their local service and of MHA as a whole.

Communication with all staff members continues through regular 1-1 meetings, team meetings and newsletters. MHA understands and values the differences in people and has a commitment to creating an environment that treats each individual fairly.

A commitment not to discriminate against any person or group on any basis, 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 the Board's Responsibilities**

The Board of Directors (whose members are also trustees of Methodist Homes) is responsible for preparing the Board of Directors' Report including Strategic Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT  
31 MARCH 2014

**Statement of the Board's Responsibilities (Continued)**

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

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable group and company and enable it to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable group and company 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 corporate and financial information included on the charitable group'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 confirms there is an ongoing process for identifying, evaluating and managing significant risks to the achievement of the group strategic objectives. It has established the following key procedures, which are designed to provide effective internal financial controls:

- Control environment and procedures:

The Board has approved Standing Orders, which establish 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, which are designed to identify and control significant risks facing the organisation. All significant initiatives and capital investments are subject to formal authorisation procedures.

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**Internal Financial Controls Assurance (Continued)**

- 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 auditors to provide reasonable assurance that control procedures are in place and being followed. The Committee makes regular reports to the Board.

The Board has reviewed the effectiveness of the system of internal control for the year ended 31<sup>st</sup> March 2014 and until 14<sup>th</sup> August 2014. No weaknesses were found that resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements, or in the auditor's report on those financial statements.

**Statement as to Disclosure of Information to Auditor**

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**Auditor**

A resolution to reappoint Baker Tilly UK Audit LLP, as auditor, will be put to the members of the Board.

The report of the board including the Strategic Report was approved on 14<sup>th</sup> August 2014 and signed on its behalf by:



KEITH SALSBURY Chair  
Epworth House  
Stuart Street  
Derby  
DE1 2EQ

METHODIST HOMES  
 BOARD, OFFICERS AND ADVISORS  
 31 MARCH 2014

**Patrons**

Baroness Kathleen Richardson of Calow, OBE  
 Pam Rhodes

**Board**

	Born	Term of Office		Committee Memberships
		Start	Finish	
Chair - Keith Salsbury	1946	Jul 2008	Aug 2014	Remuneration Committee
Other Board Members:				
Rev Wes Blakey	1947	Jul 2009	Aug 2013	
Malcolm Johnson	1943	Jul 2010		
Joan Rippingale	1933	Jul 2010		
Moira Simpson	1943	Jul 2010		Audit Committee
Anne Gibson	1947	Apr 2011		
Chris Paley	1953	Apr 2011	Aug 2014	
Graham Smith	1950	Apr 2011		Audit Committee
David Hobbs	1947	Jul 2012		
Shelagh Morgan	1953	Jul 2012		
David Hall	1941	Aug 2013		

**Leadership Team**

Name	Born	Joined	Position
Adrian Bagg	1962	2014	Chief Executive
Rev Dr Keith Albans	1956	2001	Director of Chaplaincy & Spirituality
Carol Artis	1953	2005	Director of Care Homes
Steve Fraser	1965	2012	Director of Finance
Anna Marshall-Day	1972	2006	Director of People Development
Dominic Rothwell	1967	2014	Director of Retirement Living
Annie Webber	1960	2013	Director of Quality

**Company Secretary**

Steve Fraser

**Registered Office**

Methodist Homes  
 Epworth House  
 Stuart Street  
 Derby  
 DE1 2EQ

METHODIST HOMES  
BOARD, OFFICERS AND ADVISORS  
31 MARCH 2014

**Registered Office (Continued)**

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 Auditor Baker Tilly UK Audit LLP  
Chartered Accountants  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

Bankers HSBC Plc  
70 Pall Mall  
London SW1Y 5EZ

AIB Group (UK) Plc  
61 Temple Row  
Birmingham B2 5LS

Nationwide Building Society  
Kings Park Road Moulton  
Park Northampton NN3 6NW

Barclays Bank Plc  
1 Snowhill  
Snowhill Queensway  
Birmingham B3 2WN

Royal Bank of Scotland  
PO Box 6743  
1st Floor Crompton House  
Derwent Street  
Derby DE1 2XR

Investment Advisors Central Finance Board of the Methodist Church  
9 Bonhill Street  
London EC2A

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METHODIST HOMES FOR THE YEAR ENDED 31 MARCH 2014

We have audited the group and parent charity financial statements of Methodist Homes ("the financial statements") for the year ended 31 March 2014 on pages 16 to 47. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of the Board's responsibilities set out on pages 9 to 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2014 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Board of Directors' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
METHODIST HOMES  
FOR THE YEAR ENDED 31 MARCH 2014

*Baker Tilly UK Audit LLP*

GARY MORETON (Senior Statutory Auditor)  
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

Date *27 August 2014*

METHODIST HOMES  
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
(Including Income and Expenditure Account)  
For the year ended 31 March 2014

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	As restated 2013 Total £'000
<b>Incoming resources</b>						
Voluntary income	2	2,780	2,289	-	5,069	6,553
Investment income	3	171	31	17	219	244
		<u>2,951</u>	<u>2,320</u>	<u>17</u>	<u>5,288</u>	<u>6,797</u>
<b>Incoming resources from generated funds:</b>						
Charitable activities	4	189,188	2,024	-	191,212	172,900
<b>Total incoming resources</b>		<u>192,139</u>	<u>4,344</u>	<u>17</u>	<u>196,500</u>	<u>179,697</u>
<b>Resources expended</b>						
Charitable expenditure	4/5	181,506	2,968	17	184,491	167,909
Costs of generating funds	5	634	-	-	634	663
Governance costs	5	576	-	-	576	546
<b>Total resources expended</b>	5	<u>182,716</u>	<u>2,968</u>	<u>17</u>	<u>185,701</u>	<u>169,118</u>
<b>Net incoming resources/net income before other recognised gains and losses</b>						
		9,423	1,376	-	10,799	10,579
Gains/(losses) on investment assets						
	8	86	11	(32)	65	380
Actuarial loss on pension scheme						
	21	(492)	-	-	(492)	(248)
Revaluation gain on fixed assets						
		-	-	-	-	30,868
Revaluation adjustment						
	19	(900)	-	-	(900)	-
<b>Net movement in funds for the year</b>		8,117	1,387	(32)	9,472	41,579
Brought forward at 1 April (as restated) including a prior period adjustment of £926k	23	199,247	23,475	865	223,587	182,008
<b>Carried forward at 31 March</b>		<u>207,364</u>	<u>24,862</u>	<u>833</u>	<u>233,059</u>	<u>223,587</u>

The Statement of Financial Activities includes all gains and losses in the year. All activities in both years are continuing activities.  
Charitable expenditure includes exceptional costs of £4.2m, see note 4/5.

METHODIST HOMES  
CONSOLIDATED BALANCE SHEET  
As at 31 March 2014

Company Registered No. 4043124

		Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	As restated 2013 Total £'000
<b>Fixed assets</b>						
Tangible fixed assets		320,345	19,628	-	339,973	348,610
Social housing and other grants		(46,951)	-	-	(46,951)	(47,470)
Net tangible fixed assets	9	273,394	19,628	-	293,022	301,140
Investments – Securities	11	-	409	687	1,096	4,584
		273,394	20,037	687	294,118	305,724
<b>Current assets</b>						
Retirement housing stock	12	39,013	-	-	39,013	33,196
Debtors	13	11,201	-	-	11,201	12,028
Cash at bank and in hand		19,143	5,031	146	24,320	13,977
		69,357	5,031	146	74,534	59,201
Creditors: Amounts falling due within one year	14	(28,549)	(206)	-	(28,755)	(27,838)
<b>Net current assets</b>		40,808	4,825	146	45,779	31,363
<b>Total assets less current liabilities</b>						
Creditors: Amounts falling due after more than one year	15	(96,867)	-	-	(96,867)	(103,227)
Pension liability	21	(9,971)	-	-	(9,971)	(10,273)
<b>Net Assets</b>		207,364	24,862	833	233,059	223,587
<b>Funds</b>						
Endowment funds	17	-	-	833	833	865
Restricted income funds	18	-	24,862	-	24,862	23,475
Unrestricted income funds	19					
General fund		146,059	-	-	146,059	134,728
Revaluation reserve		61,305	-	-	61,305	64,519
		207,364	24,862	833	233,059	223,587

The financial statements on pages 16 to 47 were approved on behalf of the Board and authorised for issue on 14<sup>th</sup> August 2014 and signed on its behalf by:

Keith Salsbury – Chair



METHODIST HOMES  
BALANCE SHEET (PARENT COMPANY)  
As at 31 March 2014

Company Registration No. 4043124

		Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	As Restated 2013 Total £'000
<b>Fixed assets</b>						
Tangible fixed assets	9	235,131	19,628	-	254,759	262,993
Investments – Securities	11	-	409	687	1,096	4,584
		<u>235,131</u>	<u>20,037</u>	<u>687</u>	<u>255,855</u>	<u>267,577</u>
<b>Current assets</b>						
Retirement housing stock	12	35,416	-	-	35,416	28,519
Debtors – Amounts falling due in one year	13	11,497	-	-	11,497	17,700
Debtors: Amounts falling due after one year	13	3,500	-	-	3,500	-
Cash at bank and in hand		<u>16,525</u>	<u>5,026</u>	<u>146</u>	<u>21,697</u>	<u>10,825</u>
		66,938	5,026	146	72,110	57,044
Creditors: Amounts falling due within one year	14	<u>(24,380)</u>	<u>(206)</u>	<u>-</u>	<u>(24,586)</u>	<u>(24,676)</u>
<b>Net current assets</b>		<u>42,558</u>	<u>4,820</u>	<u>146</u>	<u>47,524</u>	<u>32,368</u>
<b>Total assets less current liabilities</b>		277,689	24,857	833	303,379	299,945
Creditors: Amounts falling due after more than one year	15	<u>(79,850)</u>	<u>-</u>	<u>-</u>	<u>(79,850)</u>	<u>(84,062)</u>
<b>Net Assets</b>		<u>197,839</u>	<u>24,857</u>	<u>833</u>	<u>223,529</u>	<u>215,883</u>
<b>Funds</b>						
Endowment funds	17	-	-	833	833	865
Restricted income funds	18	-	24,857	-	24,857	23,472
Unrestricted income funds	19					
General fund		137,079	-	-	137,079	128,010
Revaluation reserve		<u>60,760</u>	<u>-</u>	<u>-</u>	<u>60,760</u>	<u>63,536</u>
		<u>197,839</u>	<u>24,857</u>	<u>833</u>	<u>223,529</u>	<u>215,883</u>

The financial statements on pages 16 to 47 were approved on behalf of the Board and authorised for issue on 14<sup>th</sup> August 2014 and signed on its behalf by:

Keith Salsbury - Chair



METHODIST HOMES  
CONSOLIDATED CASH FLOW STATEMENT  
For the year ended 31 March 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Net cash inflow from operating activities</b>	22		32,183		15,571
<b>Returns on investments and servicing of finance</b>					
Investment income		219		244	
Interest paid and similar charges		<u>(3,941)</u>		<u>(3,581)</u>	
			(3,722)		(3,337)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(24,838)		(25,768)	
Receipts from sale of tangible fixed assets		8,784		931	
Receipts on sale of investments		<u>3,553</u>		<u>-</u>	
			(12,501)		(24,837)
<b>Net cash flow before financing</b>			<u>15,960</u>		<u>(12,603)</u>
<b>Financing</b>					
Loans received		1,000		16,800	
Loans repaid		<u>(6,617)</u>		<u>(4,931)</u>	
			(5,617)		11,869
<b>Increase/ (Decrease) in cash</b>	22		<u>10,343</u>		<u>(734)</u>

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

	2014 £'000	As restated 2013 £'000
Net income for the year	10,799	10,579
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>1,876</u>	<u>2,362</u>
Historical cost net income for the year	<u>12,675</u>	<u>12,941</u>

# METHODIST HOMES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 1. Principal Accounting Policies

#### Basis of Accounting

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 market value, and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (revised 2005), except for the treatment of MHHA Social Housing Grants which would normally be shown through the Statement of Financial Activities as Restricted Funds. MHA has chosen to maintain the Housing Association treatment of putting the grant to the balance sheet as a deduction to fixed assets, this is a departure from the Charity SORP and the Companies Act 2006, but is in line with 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 accounts.

Owned Freehold and Long Leasehold Care Homes are valued on a revaluation basis. The group believes that this method of valuation shows a truer picture of the asset value. The properties are externally valued every five years and in the intervening years they are subjected to a review by the Board.

#### Basis of Consolidation

The Group financial statements consolidate the financial statements of Methodist Homes and its subsidiary undertakings using acquisition accounting on a line by line basis. Intra-group profits are eliminated on consolidation.

The wholly controlled subsidiaries which are consolidated are:

Methodist Homes Housing Association - Registered Provider of Social Housing  
MHA Auchlochan - Charity

#### Incoming Resources from Generated Funds

Donations, legacies and other voluntary income – these are included in the Statement of Financial Activities when the Group is certain of receipt, the income can be measured reliably and entitlement has been achieved. The Group 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 help with activities in the homes.

#### 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 receivable basis.

Grants receivable – Grants are recognised in the Statement of Financial Activities as they become receivable.

METHODIST HOMES  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2014

**1. Principal Accounting Policies (Continued)**

Charitable Activities (Continued)

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. Sales with a guaranteed buyback arrangement are recognised as income when the risks and rewards of ownership have passed.

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 to three items:

(i) Charitable Activities

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

(ii) Costs of generating funds

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

(iii) Governance costs

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

Social Housing Grants

Where housing developments have been financed wholly or partly by Social Housing Grants or other grants, the cost of these developments has been reduced by the amount of the grant received. Grants received in excess of the costs to date of schemes in the course of development are shown as current liabilities. Capital grants conditional on the occurrence of specific events are recognised when those events have occurred.

Social Housing Grants are repayable under certain circumstances, primarily following sale of a property. Where property is charged, Social Housing Grant normally ranks as subordinated unsecured debt.

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 includes 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.

METHODIST HOMES  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2014

**1. Principal Accounting Policies (Continued)**

Tangible Fixed Assets and Depreciation (Continued)

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.

Freehold and long leasehold buildings are depreciated (net of Social Housing and other grants) over their expected useful life of forty years, or the life of the lease if shorter, on a straight-line basis.

Freehold and Long Leasehold Care Homes are depreciated at the revalued amount, over the useful life of the asset.

Assets in the course of construction are not depreciated.

Furniture, equipment and motor vehicles are depreciated over three to five years on a straight line basis except for minibuses financed from restricted funds, which are written off in the year of purchase.

Retirement Housing Stock

Unsold units of retirement housing stock and work in progress at the year end are treated as stock and are therefore valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Cost includes capitalised interest incurred on specific projects during the period of development and any other relevant applicable costs.

Revaluation Reserve

This reserve represents the unrealised surpluses arising from the revaluation of investments and Freehold and Long Leasehold Care Homes.

Impairment

Where care/housing properties or retirement housing stock 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.

Investments

Investments are stated at market value. Changes in market value are recorded in the Statement of Financial Activities. Unrealised gains and losses are calculated based on the carrying value of the investments in the Balance Sheet.

Restricted income funds

These balances 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 18.

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.

METHODIST HOMES  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2014

**1. Principal Accounting Policies (Continued)**

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.

Pensions: Group

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 balance sheet. Actuarial gains and losses for these schemes are included in the Consolidated SOFA.

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 SOFA 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 balance sheet 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 balance sheet 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 balance sheet 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 SOFA as they become payable in accordance with the rules of the scheme.

Pensions: Company

The Charity participates in a defined benefit scheme, as detailed in note 21, 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.

METHODIST HOMES  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 March 2014

**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 profit and loss 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.

**2. Voluntary Income**

	<b>Unrestricted Funds £'000</b>	<b>Restricted funds £'000</b>	<b>Endowment funds £'000</b>	<b>2014 Total £'000</b>	<b>2013 Total £'000</b>
Donations	304	1,933	-	2,237	2,099
Big Lottery Fund Grant	-	131	-	131	103
Legacies receivable	2,476	225	-	2,701	4,351
	<u>2,780</u>	<u>2,289</u>	<u>-</u>	<u>5,069</u>	<u>6,553</u>

**3. Investment Income**

	<b>Unrestricted Funds £'000</b>	<b>Restricted funds £'000</b>	<b>Endowment funds £'000</b>	<b>2014 Total £'000</b>	<b>2013 Total £'000</b>
Investment securities – UK	45	26	-	71	123
Bank and deposit interest	126	5	17	148	121
	<u>171</u>	<u>31</u>	<u>17</u>	<u>219</u>	<u>244</u>

METHODIST HOMES  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2014

4. Charitable Activities

	Homes	Retirement Living	Live at Home	Other	As restated	
	£000	£000	£000	£000	2014 Total £000	2013 Total £000
<b>Incoming Resources from Charitable Activities</b>						
Fees and charges	142,865	12,800	832	-	156,497	149,377
Rents	191	5,532	-	-	5,723	4,866
Grants	-	-	1,192	-	1,192	1,115
Consultancy income	-	-	-	338	338	374
Sale of Housing	-	27,462	-	-	27,462	17,168
Total income	143,056	45,794	2,024	338	191,212	172,900
<b>Resources expended - Charitable Activities</b>						
Staff costs	(85,624)	(7,645)	(1,891)	(8,205)	(103,365)	(98,454)
Operational costs	(44,661)	(25,087)	(1,353)	(5,851)	(76,952)	(69,455)
Allocated support costs	(7,789)	(4,508)	(341)	12,638	-	-
Exceptional items	(3,174)	-	-	(1,000)	(4,174)	-
Total (note 5)	(141,248)	(37,240)	(3,585)	(2,418)	(184,491)	(167,909)
<b>Total Surplus from charitable activities 2014</b>	1,808	8,554	(1,561)	(2,080)	6,721	
<b>Total Surplus from charitable activities 2013</b>	3,722	3,600	(1,908)	(423)		4,991

METHODIST HOMES  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2014

5. Analysis of Total Resources Expended

	Staff Costs (note 7) £'000	Operational Costs (note 6) £'000	2014 Total £'000	As restated 2013 Total £'000
<b>Cost of generating funds</b>				
Employment costs	116	-	116	189
Other costs	-	518	518	474
	116	518	634	663
<b>Charitable activities including exceptional items (note 4)</b>	103,365	81,126	184,491	167,909
Employment costs	268	-	268	258
Trustees' expenses	-	15	15	8
External Auditor's -				
Audit services:				
Parent	-	58	58	59
Subsidiaries		34	34	24
Prior year under Accrual	-	-	-	20
Other services:	-	29	29	29
Taxation services:				
Compliance	-	19	19	8
Advisory	-	20	20	23
Internal Audit Fees	-	20	20	10
Other costs	-	113	113	107
	268	308	576	546
<b>Total charitable expenditure</b>	103,749	81,952	185,701	169,118
			<b>2014</b> £'000	<b>2013</b> £'000
<b>Exceptional items:</b>				
Impairment of assets			3,174	-
Demolition costs			1,000	-
			4,174	-

The demolition costs relate to the demolition, site clearance, and landscaping of Auchlochan House, a former care home on the site of Auchlochan Village which is no longer used. The costs also include £200,000 for the write down of the fixed asset. Of the impairment of assets £1.8m relates to the disposal of St Andrews Lodge, a care home divested in June 2014, and shown in stock at 31 March 2014. This was impaired in the current year to net realisable value. The remainder of the impairment relates to the full impairment of assets at three ex-Southern Cross care homes in line with the operational performance of those homes.

5. Analysis of Total Resources Expended (Continued)

METHODIST HOMES  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 March 2014

	<b>2014</b>	<b>2013</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating Leases</b>		
The following lease payments were made during the year in respect of operating leases:		
Land and Buildings	9,010	8,928

At 31 March the Group and Charity had annual commitments under non-cancellable operating leases as follows:

Land and Buildings expiring in two to five years	80	80
Land and Buildings expiring in more than five years	8,281	8,848
	<u>8,361</u>	<u>8,928</u>

**6. Analysis of Operational and Allocated Support Costs**

	<b>2014</b>	<b>As restated</b>
	<b>£'000</b>	<b>2013</b>
		<b>£'000</b>
Supplies and services	23,580	21,997
Repairs and rents	14,064	15,409
Retirement housing cost of sales	19,591	13,105
Depreciation	9,921	9,287
Bank loan interest	3,619	3,194
Other costs	7,003	6,309
Exceptional items	4,174	-
	<u>81,952</u>	<u>69,301</u>

Included within other costs are those associated with promotional and direct mail materials and regional and head office costs relating to telephone, stationery, IT and rent.

METHODIST HOMES  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 March 2014

**7. Staff**

<b>Average monthly number employed</b>	<b>2014</b>	<b>2013</b>
Care homes	5,079	4,726
Retirement Living	555	516
Live at Home	151	141
Office staff	201	187
	<hr/>	<hr/>
	5,986	5,570
	<hr/>	<hr/>

<b>Average monthly number employed (Full-time equivalent) using worked hours</b>	<b>2014 Number</b>	<b>As restated 2013 Number</b>
Care homes	4,824	4,598
Retirement Living	459	427
Live at Home	88	85
Office staff	188	170
	<hr/>	<hr/>
	5,559	5,280
	<hr/>	<hr/>

The staff numbers have been restated to reflect actual hours worked rather than contracted hours which more accurately represent the full time equivalent staffing. There is no change to staff costs.

<b>Group staffing costs</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	96,064	91,715
Social security costs	6,180	6,037
Other pension costs	1,505	1,149
	<hr/>	<hr/>
	103,749	98,901
	<hr/>	<hr/>

Wages and salaries includes agency costs of £2,995,000 (2013 £2,378,000).

METHODIST HOMES  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 March 2014

The number of directors who received reimbursement for the cost of travel to and from meetings was 11 (2013 9). The cost of travel expenses reimbursed was £13,003 (2013 £3,521). No emoluments were paid during the year to any director. 17 employees earned over £60,000 in the year excluding pension contribution within the following bands:-

		<b>2014</b>	<b>2013</b>
		<b>Number</b>	<b>Number</b>
Between	£60,001 and £70,000	9	9
Between	£70,001 and £80,000	2	2
Between	£80,001 and £90,000	2	-
Between	£90,001 and £100,000	-	1
Between	£110,001 and £120,000	3	3
Between	£160,001 and £170,000	-	1
Between	£170,001 and £180,000	1	-

17 (2013 14) employees were members of the defined contribution pension scheme. The employer's pension contribution for the higher paid staff was £113,099 (2013 £100,443). During the year an insurance premium of £11,448 (2013 £8,374) was paid to indemnify directors against liability for wrongful acts.

**8. Gains/(losses) on Investment Assets**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Endowment</b>	<b>2014</b>	<b>2013</b>
	<b>funds</b>	<b>funds</b>	<b>funds</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Realised gains	86	-	-	86	380
Unrealised gains/(losses)	-	11	(32)	(21)	-
	<u>86</u>	<u>11</u>	<u>(32)</u>	<u>65</u>	<u>380</u>

METHODIST HOMES  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2014

**9. Tangible Fixed Assets - Company**

<b>Cost or valuation</b>	<b>Care Homes freehold land and buildings at valuation £'000</b>	<b>Care homes long leasehold land and buildings at valuation £'000</b>	<b>Other freehold land and buildings at cost £'000</b>	<b>Other Leasehold land and buildings at cost £'000</b>	<b>Furniture, equipment and vehicles at cost £'000</b>	<b>Total £'000</b>
At 1 April 2013	189,946	8,968	40,729	17,196	13,666	270,505
Transfer to supported housing	(2,432)	-	(2,994)	-	(58)	(5,484)
Transfers to current assets	-	-	(7,293)	-	-	(7,293)
Transfers	-	-	1,490	(1,490)	-	-
Additions during the year	12,635	236	4,839	4,005	865	22,580
Disposals during the year	-	-	(8,108)	-	(220)	(8,328)
<b>At 31 March 2014</b>	<b>200,149</b>	<b>9,204</b>	<b>28,663</b>	<b>19,711</b>	<b>14,253</b>	<b>271,980</b>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2013	-	-	4,766	524	2,222	7,512
Transfer to supported housing	(53)	-	-	-	-	(53)
Transfer to current assets	-	-	(86)	-	-	(86)
Impairment charges	-	-	-	1,374	-	1,374
Transfers	-	-	86	(86)	-	-
Charge for the year	5,963	311	698	720	1,108	8,800
On disposals	-	-	(291)	-	(35)	(326)
<b>At 31 March 2014</b>	<b>5,910</b>	<b>311</b>	<b>5,173</b>	<b>2,532</b>	<b>3,295</b>	<b>17,221</b>
<b>Net book value</b>						
<b>At 31 March 2014</b>	<b>194,239</b>	<b>8,893</b>	<b>23,490</b>	<b>17,179</b>	<b>10,958</b>	<b>245,759</b>
<b>At 31 March 2013</b>	<b>189,946</b>	<b>8,968</b>	<b>35,963</b>	<b>16,672</b>	<b>11,444</b>	<b>262,993</b>

The net book value at 31 March 2014 represents fixed assets for:

Direct charitable purposes						
Homes	194,239	8,893	2,490	16,838	9,139	231,599
Independent living	-	-	18,892	341	484	19,717
Support offices	-	-	2,108	-	1,335	3,443
	<b>194,239</b>	<b>8,893</b>	<b>23,490</b>	<b>17,179</b>	<b>10,958</b>	<b>245,759</b>

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**9. Tangible Fixed Assets - Company (continued)**

On an historical cost basis the revalued fixed assets would have been included at:

	2014	Company 2013	2014	Group 2013
	£'000	£'000	£'000	£'000
<b>Freehold land and buildings</b>				
Cost	168,357	158,154	184,326	174,106
Aggregate depreciation	(27,471)	(23,222)	(28,939)	(24,382)
Net book value	<u>140,886</u>	<u>134,932</u>	<u>155,387</u>	<u>149,724</u>
<b>Leasehold land and buildings</b>	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Cost	6,938	6,702	6,938	6,702
Aggregate depreciation	(1,304)	(1,025)	(1,304)	(1,025)
Net book value	<u>5,634</u>	<u>5,677</u>	<u>5,634</u>	<u>5,677</u>
<b>Care home equipment</b>	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Cost	8,207	7,871	8,275	7,939
Aggregate depreciation	(1,673)	(1,484)	(1,741)	(1,484)
Net book value	<u>6,534</u>	<u>6,387</u>	<u>6,534</u>	<u>6,455</u>

The revalued equipment relates to equipment in place at care homes and is included within the equipment column within the fixed assets note. The value these items are shown at in the fixed assets equipment column is £6,234,000 (2013 £6,455,000) for the group and £6,285,000 (2013 £6,387,000) for the company. The remaining equipment relates to equipment not for care homes, which is held at cost.

Included within freehold land and buildings above is land of £44,219,000 (2013 £40,290,000) which is not depreciated.

Additions to freehold land and buildings includes capitalised interest of £13,000 (2013 £230,000). The cumulative amount of capitalised interest included is £2,475,000 (2013 £2,527,000).

Included within freehold land and buildings is £1,916,000 (2013 £402,968) of assets in the course of construction.

Also included is one home with a net book value of £513,000 which is not operational as sale or development is being considered (2013: three homes, net book value £2,168,000).

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**9. Tangible Fixed Assets - Group**

<b>Cost or valuation</b>	<b>Care Homes freehold land and buildings at valuation £'000</b>	<b>Care homes long leasehold land and buildings at valuation £'000</b>	<b>Other freehold land and buildings at cost £'000</b>	<b>Other Leasehold land and Buildings at cost £'000</b>	<b>Furniture, equipment and vehicles at cost £'000</b>	<b>Total £'000</b>
At 1 April 2013	205,094	8,968	114,116	17,196	14,027	359,401
Transfer to supported housing	(2,432)	-	(2,996)	-	(58)	(5,486)
Transfers to current assets	-	-	(7,293)	-	-	(7,293)
Transfers	-	-	1,490	(1,490)	-	-
Reclassification	11,092	-	(25,035)	6,275	7,668	-
Additions during the year	12,652	236	6,817	4,241	905	24,851
Disposals during the year	-	-	(9,828)	-	(220)	(10,048)
<b>At 31 March 2014</b>	<b>226,406</b>	<b>9,204</b>	<b>77,271</b>	<b>26,222</b>	<b>22,322</b>	<b>361,425</b>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2013	-	-	8,074	524	2,193	10,791
Transfer to supported housing	(55)	-	-	-	-	(55)
Transfers to current assets	-	-	(86)	-	-	(86)
Transfers	-	-	86	(86)	-	-
Reclassification	34	-	(521)	487	-	-
Impairment charges	-	-	-	1,374	-	1,374
Charge for the year	6,383	311	1,367	720	1,140	9,921
On disposals	-	-	(458)	-	(35)	(493)
<b>At 31 March 2014</b>	<b>6,362</b>	<b>311</b>	<b>8,462</b>	<b>3,019</b>	<b>3,298</b>	<b>21,452</b>
<b>Grants</b>						
At 1 April 2013	-	-	47,470	-	-	47,470
Disposals	-	-	(519)	-	-	(519)
<b>At 31 March 2014</b>	<b>-</b>	<b>-</b>	<b>46,951</b>	<b>-</b>	<b>-</b>	<b>46,951</b>
<b>Net book value</b>						
At 31 March 2014	211,001	8,893	35,373	18,731	19,024	293,022
At 31 March 2013	205,094	8,968	58,572	16,672	11,834	301,140

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**9. Tangible Fixed Assets – Group (continued)**

The net book value at 31 March 2014 represents fixed assets used for:

	<b>Care Homes freehold land and buildings at valuation £'000</b>	<b>Care homes long leasehold land and buildings at valuation £'000</b>	<b>Other freehold land and buildings at cost £'000</b>	<b>Other Leasehold land and buildings at cost £'000</b>	<b>Furniture, equipment and vehicles at cost £'000</b>	<b>Total £'000</b>
Direct charitable purposes						
Homes	211,001	8,893	4,541	16,839	9,188	250,465
Independent living	-	-	26,940	1,892	8,303	37,132
Support office	-	-	3,892	-	1,533	5,425
	<b>211,001</b>	<b>8,893</b>	<b>35,373</b>	<b>18,731</b>	<b>19,024</b>	<b>293,022</b>

The valuation of land and buildings for care homes for both the company and the group was made in 2013 by Knight Frank, a firm of independent chartered surveyors, 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 care homes were valued as fully equipped and on an individual basis, based on trading results, age and state of repair of property and location.

Included within freehold land and buildings above is land of £51,323,744 (2013 £47,900,000) which is not depreciated.

Additions to freehold land and buildings includes capitalised interest of £13,000 (2013 £230,000). The cumulative amount of capitalised interest included is £2,481,000 (2013 £2,540,000).

Included within freehold land and buildings is £1,916,000 (2013 £402,968) of assets in the course of construction. Also included is one home with a net book value of £513,000 which is not operational as sale or development is being considered (2013: three homes, net book value £2,168,000).

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**10. Capital Commitments**

	Company		Group	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Expenditure contracted, less certified	10,450	19,897	10,450	20,833

**11. Investments - Group and Company**

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	2013 Total £'000
1 April 2013	3,467	398	719	4,584	4,204
Disposals	(3,553)	-	-	(3,553)	-
Net gain on revaluation	86	11	(32)	65	380
31 March 2014	-	409	687	1,096	4,584

The securities represent:

Methodist Church Central Finance Board:

Equity Fund units	-	256	-	256	2,833
Fixed Interest Fund units	-	153	687	840	1,751
31 March 2014	-	409	687	1,096	4,584

The above investments are listed and located in the UK.

**12. Retirement Housing Stock**

**Group**

Included in stock is capitalised interest of £155,000 (2013 £311,000) charged in the year. The cumulative charge is £329,000 (2013 £560,000).

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**12. Retirement Housing Stock (Continued)**

**Company**

Included in stock is capitalised interest of £155,000 (2013 £311,000) charged in the year. The cumulative charge is £329,000 (2013 £560,000).

**13. Debtors**

	<b>Company</b>		<b>Group</b>	
	<b>2014</b>	<b>As restated</b>	<b>2014</b>	<b>As restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	5,724	7,141	6,753	7,764
Due from group members	4,045	5,105	-	-
Other debtors	5,228	5,454	4,448	4,264
	14,997	17,700	11,201	12,028

Included in the amounts due from group members is £3,500,000 (2013 £nil) which will not be repaid until after more than one year.

**14. Creditors: Amounts falling due within one year**

	<b>Company</b>		<b>Group</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	2,060	1,566	2,327	1,852
Accruals	2,388	3,194	3,806	3,475
Taxation and social security	2,820	2,957	2,933	3,078
Unpaid pension contributions	186	152	186	152
Charges and rents in advance	5,316	5,454	5,557	5,606
Loans – interest	297	369	323	483
Loans – principal	4,645	4,284	5,889	5,713
Other creditors	6,874	6,700	7,734	7,479
	24,586	24,676	28,755	27,838

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**15. Creditors: Amounts falling due after more than one year**

	Company		Group	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Loans				
Between one and two years	5,013	4,352	6,748	5,819
Between three and five years	50,047	40,615	54,998	45,545
In five years or more	25,357	39,095	35,688	51,863
	<hr/>	<hr/>	<hr/>	<hr/>
	80,417	84,062	97,434	103,227
Less loan arrangement fees	(567)	-	(567)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Loans net of arrangement fees	79,850	84,062	96,867	103,227

The loans are secured on certain care home and housing properties, representing 55% of the value of Freehold Land and Buildings (2013 41%). The interest rates payable on these loans, plus the short-term loans (£5.9m), are as follows:

**Company**

- £4,400,000 is fixed at a rate of 5.52% until August 2015,
  - £5,000,000 is fixed at a rate of 1.01% until May 2016,
  - £5,000,000 is fixed at a rate of 3.85% until May 2016,
  - £5,000,000 is payable at LIBOR but limited within the range of 5.675% to 6.775% plus a 2.25% margin until November 2017,
  - £5,000,000 is at a fixed rate of 5.59% until July 2020,
  - £5,000,000 is at a fixed rate of 6.22% until March 2021,
  - £5,000,000 is at a fixed rate of 5.75% until July 2021,
  - £20,005,000 is payable at LIBOR plus a margin of 2.25%,
  - £21,857,000 is payable at a margin of 0.775% above LIBOR.
  - £8,800,000 is payable at LIBOR plus a margin of 2.75%.
- £85,062,000                      **Company total**

**Subsidiaries**

- £5,000,000 is fixed at a rate of 5.327% until June 2016,
  - £5,531,000 is payable at a weighted interest rate of 4.19%,
  - £7,730,000 is payable at LIBOR plus a margin of 1%.
- £103,323,000                      **Group total**

The loans are repayable in varying instalments until 2049.

The Company has fixed interest rates to guard against future rate movements. The fair value of the interest swaps as at 31st March 2014 is £2.0m (2013 £2.8m) representing the cost of exiting this arrangement, which is not currently intended by the Company. The effect of this interest rate swap is to increase bank loan interest by £1.25m (2013 £0.50m) above LIBOR.

**16. Share Capital**

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

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**17. Endowment funds**

Group and Company	1 April	Movement in Funds		Losses on	31 March
	2013	Incoming	Outgoing	investment	2014
	£'000	£'000	£'000	assets	£'000
				£'000	
H D Clarke Memorial Fund	800	16	(16)	(32)	768
Redcroft Residential Home	65	1	(1)	-	65
	865	17	(17)	(32)	833

**18. Group Restricted income funds**

	1 April	Movement in Funds		Gains on	31 March
	2013	Incoming	Outgoing	investment	2014
	£'000	£'000	£'000	assets	£'000
				£'000	
Homes	14,952	262	(68)	10	15,156
Independent Living	2,085	7	(1)	-	2,091
Retirement Housing	3,574	958	(44)	3	4,491
Big Lottery Fund Grant	-	131	(131)	-	-
Live at Home	2,115	2,556	(2,351)	-	2,320
Amenity funds	749	430	(373)	(2)	804
<b>Group</b>	<b>23,475</b>	<b>4,344</b>	<b>(2,968)</b>	<b>11</b>	<b>24,862</b>
<b>Company</b>	<b>23,472</b>	<b>4,339</b>	<b>(2,965)</b>	<b>11</b>	<b>24,857</b>

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 8 new Community Hubs within existing Methodist Homes housing projects. The total value of the grant is £263,918 over four years beginning June 2012. £88,854 was received in the year (£53,316 2013). Other Big Lottery Fund Grants of £42,378 (2013 £103,000) were received in the year to support Live at Home.

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**19. Reserves**

	<b>Charitable Funds £'000</b>	<b>Endowment Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>General Fund £'000</b>	<b>Total £'000</b>
<b>Group</b>					
At 1 April 2013 (as restated)	23,475	865	64,519	134,728	223,587
Surplus for the year	1,376	-	-	9,423	10,799
Actuarial losses	-	-	-	(492)	(492)
Surplus/(deficit) on revaluation of assets	11	(32)	(900)	86	(835)
Transfers	-	-	(2,314)	2,314	-
	<hr/>				
At 31 March 2014	24,862	833	61,305	146,059	233,059

	<b>Charitable Funds £'000</b>	<b>Endowment Reserve £'000</b>	<b>Revaluation Reserve £'000</b>	<b>General Fund £'000</b>	<b>Total £'000</b>
<b>Company</b>					
At 1 April 2013 (as restated)	23,472	865	63,536	128,010	215,883
Surplus for the year	1,374	-	-	7,193	8,567
Surplus/(deficit) on revaluation of assets	11	(32)	(900)	-	(921)
Transfers	-	-	(1,876)	1,876	-
	<hr/>				
At 31 March 2014	24,857	833	60,760	137,079	223,529

As permitted by S408 of the Companies Act 2006 the parent has not presented its own Income and Expenditure statement. The company's surplus before donations for the year to 31 March 2014 amounted to £9.1m (2013 £8.4m, restated). The company's surplus after donations for the year to 31 March 2014 amounted to £8.6m from a gross income of £180.8m (2013 £7.9m, restated).

The £900k decrease in the revaluation reserve relates to the transfer of a previously revalued property from fixed assets to stock, which, in line with accounting standards, is transferred and held at depreciated cost.

**20. Contingent Liabilities**

The Group had sold certain retirement housing stock where a guarantee has been given to the purchaser to buy back the property at an amount of 95% of the price paid by the purchaser. At 31 March 2014, the Group had commitments amounting to £56,612,511 (2013 £38,212,347) in respect of these properties.

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**21. Pensions and Similar Obligations**

A defined contribution scheme, Growth Plan 4, was available to all employees. The charge for the year covered 470 (2013 470) employees. The contribution rate of MHA for the year varied between 3% and 10% depending on the employee's contribution, which is a minimum of 3%.

Prior to 1 April 2010 MHA operated 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.

The financial assumptions used to calculate the group's scheme liabilities under FRS 17, "Retirement Benefits", are as follows:

	2014 %pa	2013 % pa	2012 % pa
Inflation (CPI)	2.4%	2.4%	2.2%
Inflation (RPI)	3.3%	3.3%	3.1%
Rate of increase in salaries	4.3%	4.3%	4.6%
Rate of increase for pensions in payment	2.0%	2.0%	1.8%
Rate of increase for deferred pensions	3.3%	3.3%	3.1%
Discount rate	4.4%	4.4%	4.6%
Expected return on scheme assets	5.4%	5.4%	5.7%

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

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**21. Pensions and Similar Obligations (continued)**

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Life expectancy	S1PA Year of birth CMI09 with a minimum improvement of 1.5% p.a. for males and 1.25% p.a. for females	S1PA Year of birth CMI09 with a minimum improvement of 1.5% p.a. for males and 1.25% p.a. for females	S1PA 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:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>Years</b>	<b>Years</b>	<b>Years</b>
Pensioner currently aged 65:			
Male	23.1	23.3	23.1
Female	25.1	25.3	24.9
Non-Pensioner currently aged 45:			
Male	25.3	25.5	25.4
Female	27.0	27.2	26.8

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 balance sheet date, whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

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**21. Pensions and Similar Obligations (continued)**

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 balance sheet date were:

	Fair Value £'000	2014 Long-term rate of return expected %	Fair Value £'000	2013 Long-term rate of return expected %
Equities	20,539	7.5	20,214	7.0
Government bonds	14,887	3.9	13,184	3.5
Property	2,549	6.5	2,304	6.0
Cash	861	0.5	1,491	0.5
	<hr/>		<hr/>	
Total market value of assets	38,836		37,193	
	<hr/>		<hr/>	
Present value of scheme Liabilities	(48,807)		(47,466)	
	<hr/>		<hr/>	
Deficit in the scheme	(9,971)		(10,273)	
	<hr/> <hr/>		<hr/> <hr/>	

The last formal valuation of the scheme was performed as at 30 September 2010 by a professionally qualified actuary. For the purpose of FRS 17, the valuation has been updated as at 31 March 2014.

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 FRS 17 assumptions is included in the financial statements.

<b>Analysis of amounts charged to net incoming resources</b>	<b>31 March 2014 £'000</b>	<b>31 March 2013 £'000</b>
Current service cost	(136)	(136)
	<hr/>	<hr/>
Expected return on scheme assets	2,014	1,914
Interest on pension scheme liabilities	(2,064)	(2,041)
	<hr/>	<hr/>
Net cost	(50)	(127)
	<hr/> <hr/>	<hr/> <hr/>

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**21. Pensions and Similar Obligations (continued)**

<b>Analysis of amount recognised as Actuarial losses</b>	<b>31 March 2014 £'000</b>	<b>31 March 2013 £'000</b>
Actuarial (loss) recognised in the Consolidated SOFA	(492)	(248)
Total charge to Consolidated SOFA	<u>(678)</u>	<u>(511)</u>
<b>Cumulative actuarial losses</b>	<u>(13,558)</u>	<u>(13,066)</u>
<b>Balance sheet impact</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Present value of funded obligations	(48,807)	(47,466)
Fair value of scheme assets	38,836	37,193
Deficit in scheme at 31 March	<u>(9,971)</u>	<u>(10,273)</u>
<b>Changes in the present value of the defined benefit obligation</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Opening defined benefit obligation	47,466	45,027
Service cost	136	136
Interest cost	2,064	2,041
Actuarial losses	418	1,722
Net benefits paid including expenses	(1,277)	(1,460)
Closing defined benefit obligation	<u>48,807</u>	<u>47,466</u>
<b>Changes in the fair value of plan assets</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Opening fair value of plan assets	37,193	33,735
Expected return	2,014	1,914
Actuarial (losses)/gains	(74)	1,474
Contributions by employer	980	1,530
Net benefits paid including expenses	(1,277)	(1,460)
Closing fair value of plan assets	<u>38,836</u>	<u>37,193</u>
Actual return on plan assets	<u>1,940</u>	<u>3,388</u>

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**21. Pensions and Similar Obligations (continued)**

History of experience gains and losses	31 March				
	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligation	(48,807)	(47,466)	(45,027)	(38,984)	(44,476)
Scheme assets	38,836	37,193	33,735	29,862	28,268
Deficit	(9,971)	(10,273)	(11,292)	(9,122)	(16,208)
Experience gains and losses on scheme liabilities:					
- Amount	(990)	416	517	3,414	175
Actual return less expected Return on scheme assets					
- Amount	(74)	1,474	(159)	50	4,804

- (ii) The previous Growth Plan is a multi-employer defined benefit scheme which was administered by The Pensions Trust. The actuary has completed a tri-annual valuation as at 30 September 2012 showing a funding level of 84.1%. Additional contributions of £62,774 per year from MHA are being paid from 1 April 2013.
- (iii) The contribution by the group to the defined benefit scheme paid during the year amounted to £980,000 (2013 £1,530,000). 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 2013/14 in respect of the defined contribution scheme were £1,132,500 (2013 £1,027,000).
- (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 £403,200 (2013: £nil).

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**22. Notes to the Cash Flow Statement**

**a) Reconciliation of net incoming resources to net cash inflow from operating activities**

	(as restated)	
	2014	2013
	£'000	£'000
Net incoming resources	10,799	10,579
Investment income	(219)	(244)
Interest paid	3,619	3,194
Deficit on sale of fixed assets	252	92
Depreciation charges	9,921	9,287
Impairment of fixed assets	3,174	-
Loan indexation	(6)	(13)
Defined benefit scheme pension contributions paid in the year	(980)	(1,530)
Defined benefit scheme pension cost charged in the year	186	136
Increase in Supported Retirement Housing for sale	4,276	(3,996)
Increase in debtors	827	(2,361)
Increase in creditors	334	427
	<u>32,183</u>	<u>15,571</u>

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

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

	2014	2013
	£'000	£'000
Increase/ (decrease) in cash	10,343	(734)
Movement in borrowings (note 22c)	<u>5,617</u>	<u>(11,869)</u>
<b>Change in net funds resulting from cash flows</b>	15,960	(12,603)
<b>Movement in net debt</b>		
Net debt at 1 April	<u>(94,963)</u>	<u>(82,360)</u>
Net debt at 31 March	<u>(79,003)</u>	<u>(94,963)</u>

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22. Notes to the Cash Flow Statement (continued)

c) Analysis of changes in debt

	1 April 2013 £'000	Other Cash flow £'000	Non-cash changes £'000	2014 £'000
Cash in bank and in hand	13,977	10,343	-	24,320
Loans due within one year	(5,713)	5,713	(5,889)	(5,889)
Loans due after more than one year	(103,227)	(96)	5,889	(97,434)
	<u>(94,963)</u>	<u>15,960</u>	<u>-</u>	<u>(79,003)</u>

23. Prior Period Adjustment

The group has changed its accounting policy for writing off marketing costs, so that costs are written off in the year they are incurred instead of being written off when the flats are sold and this has resulted in a prior period adjustment, which, in line with changes in activity, the group considers to be a more appropriate policy.

The impact of the prior period adjustment on the financial statements and the change in accounting policy on the current period financial statements is summarised as follows:

Statement of Financial Activities

	Company £'000	Group £'000
Increase in retirement living operating costs for the year ended 31 March 2013	458	458
	<u>458</u>	<u>458</u>

Balance Sheet

	Company £'000	Group £'000
Debtors		
At 31 March 2013 as previously reported	18,626	12,954
Prior year adjustment	(926)	(926)
At 31 March 2013 as restated	<u>17,700</u>	<u>12,028</u>

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**23. Prior Period Adjustment (Continued)**

	Company £'000	Group £'000
Overall reconciliation of general fund		
At 1 April 2012 as previously reported	121,595	125,826
Prior year adjustment	(468)	(468)
	<u>121,127</u>	<u>125,358</u>
2013 losses on investments	(127)	(126)
2013 surplus as restated	7,010	9,744
2013 actuarial loss on pension scheme	-	(248)
	<u>128,010</u>	<u>134,728</u>
At 31 March 2013 – restated	-	86
2014 gains on investments	7,192	9,423
2014 surplus	-	(492)
Actuarial loss on pension scheme	1,876	2,314
Transfers from revaluation reserve	<u>137,079</u>	<u>146,059</u>
At 31 March 2014	<u><u>137,079</u></u>	<u><u>146,059</u></u>

The prior period adjustment has no impact on the other categories of reserves.

**24. Group Structure**

Methodist Homes has the following subsidiary undertakings:

**Methodist Homes Housing Association Limited**

Incorporation: Industrial and Provident Societies Act 1965  
 Registered Number LH2343  
 Principal activity: Charitable provision and management of social housing.

	2014 £'000	2013 £'000
Assets	20,807	20,328
Liabilities	(6,390)	(6,589)
Funds	<u>14,417</u>	<u>13,739</u>
Incoming resources	4,929	4,978
Resources expended	(4,251)	(4,221)
Movement in funds	<u>678</u>	<u>757</u>

**MHA Auchlochan**

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

2014	2013
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	£'000	£'000
Assets	23,754	25,447
Liabilities	(18,652)	(20,654)
	<hr/>	<hr/>
Funds	5,102	4,793
	<hr/>	<hr/>
Incoming resources	11,333	10,588
Resources expended	(11,024)	(9,904)
Revaluation of care homes	-	(400)
	<hr/>	<hr/>
Funds	309	284
	<hr/> <hr/>	<hr/> <hr/>

The two organisations are deemed to be subsidiaries of Methodist Homes by means of various inter-group agreements.

The charity has taken advantage of the exemption in FRS 8: Related Party Disclosures, that transactions with wholly controlled subsidiaries do not need to be disclosed.