

**METHODIST HOMES
REPORT AND FINANCIAL
STATEMENTS 31 March
2016**

Charity Registered No. 1083995
Company Registered No. 4043124

METHODIST HOMES CONTENTS

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**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2016**

1. STRATEGIC REPORT

Objectives and Activities

The objective of Methodist Homes ('MHA') and its subsidiary undertakings is to provide services for the relief of older people and other adults in need, particularly (but not limited to) those with mental illness or physical/ learning disabilities. The range of services includes:

- Accommodation; and/or
- Care and support services; and/or
- Any other provision which may facilitate an improved quality of life.

MHA's mission is to improve the quality of life for older people, inspired by Christian concern. Its aim is to eliminate isolation and loneliness among older people by connecting people in communities that care.

Our values underpin all our services which combine compassionate care for each individual and high professional standards. These 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

Our main objectives for the coming year are to continue to provide high quality services and to reach out to more older people. We want to do this by developing new accommodation and support services to meet the changing needs and expectations of Britain's ageing society, now and into the future.

MHA currently supports 16,863 individuals:

- 4,469 older people living in 86 care homes - residential, nursing and specialist dementia care
- 2,660 older people living independently in 64 retirement living communities with flexible support and personalised care
- 9,734 older people supported through 55 Live at Home services in the community.

Our services are delivered by 6,053 dedicated staff and enhanced by the commitment of 5,500 volunteers.

Longer term, we aim to reach more older people through growing our services. We will reinvest our operating surplus in expanding our operation. Our aim is to directly improve the lives of 50,000 older people by 2025, and positively influence the lives of many more.

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.

We measure our success in terms of the number of older people who benefit from our services and our resident satisfaction survey results, which indicate that we are providing services of the appropriate quality.

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Objectives and Activities (continued)

In 2015/16, MHA maintained its 97% overall satisfaction score for the independent 2015 Your Care Rating survey for its care homes.

Public Benefit

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.

The Charities Protection and Social Investment Act 2016 which received Royal Assent on 16 March 2016 and most of the provisions do not take effect immediately, but will be implemented over time. The Board is reviewing the provisions and considering what if any changes are needed to the charity and group.

MHA provides specialist dementia care in residential and nursing care homes, retirement living with care, communities and resource centres. Our person-centred care recognises each person as a unique individual and addresses their own spiritual and physical needs, with both reassurance and support. Our services are open to all. Our care home residents are split broadly 55:45 into those that are fully self-funded and those that are partially or fully funded by the local authority or the NHS, demonstrating that our services are open to all.

Our care homes and retirement living schemes are made up of 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. Most MHA services are supported by dedicated Chaplains, who come from a range of denominations. Some are ordained ministers and others are lay people. They provide a listening presence and one-to-one pastoral support for all residents and staff members, whatever their backgrounds or need. They organise worship for those who wish to take part. Residents are encouraged to maintain links with their local 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 help people living with dementia with understanding and expertise. We focus on the individual needs of our residents and support older people in achieving interesting and satisfying lives. Our dementia specialist care has been shown to improve well-being, following sound research and long-term experience and continues to develop to meet the changing needs of individuals.

We have developed an innovative national music therapy programme. Our award-winning in-house team of trained music therapists deliver weekly one-to-one and group music therapy sessions for residents diagnosed with dementia. MHA currently employs 18 full and part time music therapists, making it the largest employer of this specialist service in the country.

We have 66 Live at Home schemes across the UK, all funded through charitable donations and fundraising. These are supported by 2,614 volunteers who help to significantly improve the quality of life for people living independently in their own homes, where they might otherwise feel lonely or isolated. This help includes befriending visits, supporting older people on social outings and trips and helping run activities such as lunch clubs, crafts and keep fit activities.

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Significant Activities

The significant charitable activities undertaken are:

i. Care Homes

MHA runs 86 residential, dementia and nursing care homes offering 24-hour person-centred care and support for 4,469 residents in specially designed accommodation. These offer everyone a private room with en-suite and spacious dining facilities, communal areas and gardens. Full and varied activities programmes, including opportunities for music therapy and shared worship or one-to-one meetings with a Chaplain for spiritual support (faith-based or not, as required), are made available to meet the needs and preferences of each individual.

ii. Retirement Living

MHA runs 64 retirement living communities across the UK, with further in development. These have self-contained apartments, each with individual kitchen, bathroom, bedroom and living areas for independence and privacy coupled with shared areas for activities, social events and friendship. These are 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 help and assistance when needed. 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.

iii. Live at Home

These 55 community-based schemes provide practical and social support to 9,734 older people living in their own homes, promoting independence and wellbeing through clubs, activities, and information and signposting services.

They help MHA's aim to reduce loneliness and isolation among older people by creating a community that cares through services such as befriending.

Achievements and Performance Methodist Homes

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 the year net growth was achieved.

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Achievements and Performance Methodist Homes (continued)

The following KPI's illustrate the MHA settings maintained:

	2016	2015
Number of Care Homes	86	87
Number of Care Home Places	4,481	4,526
Number of Retirement Living Communities	64	61
Number of Retirement Properties Served	2,571	2,399
Number of Live at Home Schemes	55	56
Number of Supported Older People in Live at Home Schemes	9,734	9,688
Volunteer Engagement at Live at Home Schemes	2,614	2,739

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Financial Review

The Statement of Financial Activities shows total incoming resources of £191,468,000 (2015: £179,826,000), a 6.5% increase on the previous financial year. This is largely driven by increases in property sales surpluses. The performance of the group's subsidiary undertakings was as follows:

£'000s	Total Income and Endowments		Net Income	
	2016	2015	2016	2015
Methodist Homes Housing Association	5,180	5,488	2,056	2,854
MHA Auchlochan	7,194	6,557	(11)	56

The surplus generated by our Care Homes has benefitted from our continuing high occupancy levels and cost benefits achieved through procurement savings. This has allowed us to mitigate pressure on margins due to continuing local authority and NHS austerity.

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 £4,618,000 (2015: £4,815,000) 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; and
- Contribute towards the capital costs of our new and existing services.

The net increase in funds of £8,446,000 is added to the total balances brought forward of £235,752,000.

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Key Performance Indicators for the group

	2015/16	2014/15
	Actual £'000	Actual £'000
Total income	191,468	179,826
Operating costs excluding exceptional costs	183,300	175,641
Exceptional costs/(income)	854	(1,519)
Surplus for the year (before investment gains and losses)	7,314	5,704
<i>Service users capacity</i>	Number	Number
Care homes	4,469	4,580
Retirement Living	2,660	2,390
Community services	10,242	9,000
<i>Occupancy</i>		
Care homes	93.2%	92.7%
Retirement living	96.9%	96.7%
Residents' satisfaction – Care homes	97.0%	96.0%
Cost of fundraising to voluntary income	9.0%	8.5%

The directors consider the market value at 31 March 2016 of the Freehold and Leasehold land and buildings to be in excess of the costs or valuation as stated in note 12 to the financial statements, based on independent valuations.

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, the risk of possible shortfalls in charitable income and other contingencies.

The Board considers that minimum unrestricted reserves of cash and investments of approximately £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 £29,388,000 (2015: £21,802,000). The high value of reserves represents cash to fund planned developments.

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.

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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); and
- 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.

Principal Funding Sources

MHA has fully drawn loan facilities with the Allied Irish Bank, (current balance at 31 March 2016 being £29,139,000) and Barclays Bank Plc (balance at 31 March 2016 being £70,000,000). Methodist Homes Housing Association has arranged a loan facility with the Nationwide Building Society to draw up to £5,000,000 which was fully drawn, the balance at 31 March 2016 being £3,698,000. MHA Auchlochan has arranged a loan facility with the Allied Irish Bank which is fully drawn, the balance at 31 March 2016 being £10,525,000. Fixed asset additions of £33,240,000 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.

Risk Management

The Board oversees strategic risk annually with additional operational risk assessment through delegation to the Audit Committee, which owns the risk framework. The risk register is reviewed by the Finance Committee and any risk outcomes or recommendations are reported to the Board.

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 evaluate the risk reviews and obtain 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 state funding available in the care and housing sector, final salary scheme funding and a seriously poor reputation at one or more schemes, undermining confidence of supporters and lenders. Announcements regarding the move to a National Living Wage are also likely to impact the sector. These risks are monitored and appropriate actions taken. The Board's plans to address these specific risks are as follows:

i) The Availability of State Funding

Management monitor the levels of funding on a monthly basis and report these to the Board by means of KPIs. The Board takes appropriate commercial and pricing decisions to protect the charity.

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Risk Management (continued)

ii) Final Salary Pension Scheme

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.

iii) Reputational Risk

In an environment of increasing legislation, the management of quality is a high priority for the charity. Management employ an internal system of risk monitoring that focuses on key factors that might indicate potential quality concerns, which are then investigated. The Board is regularly appraised of the results of this monitoring and associated actions.

iv) National Living Wage

The charity has a long-standing policy of seeking to pay above minimum wage levels. Further to this the charity endeavours to strike the right balance between passing on cost increases to service users and providing an attractive employment proposition. The Board is regularly appraised of this and sets pay policy through agreement of the annual pay review process.

v) Change Management

The charity operates within a dynamic sector and to enable it to deliver its growth strategy which, in turn, will enable it to help more older people enjoy a better old age, it adopts an integrated approach to managing cultural, process and systems change.

Financial Risk Management

Financial risks are identified by the Executive Directors as part of the annual business planning process and are monitored on a regular basis. 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 long-term funding required to support the group's growth plans. The group takes a risk-averse approach to the effect of interest rates on its borrowings and has entered into appropriate hedging.

Future Developments

The Board has agreed a strategy for MHA with ambitions to become the leading charity for older people. MHA plans to triple the number of people directly supported by the charity to 50,000 people each year by 2025 and influence national policy that will help many more. In order to extend our services to more older people, we plan to increase the number of our operating sites through new build and to redevelop existing facilities where provision can be extended or improved.

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Future Developments (continued)

In the three year period from April 2016 to March 2019 the following increase in number of service settings is planned:

	2019
Number of Care Homes	8
Number of Care Home Places	377
Number of Retirement Living Communities	11
Number of Retirement Properties Served	866
Number of Live at Home Schemes	19
Number of Supported Older People in Live at Home Schemes	6,102
Volunteer Engagement at Live at Home Schemes	2,202

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 2016 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 Finance Committee provides guidance on financial strategy and reviews management information, budgets and forecasts.
- The Remuneration Committee determines, on behalf of the Board, the remuneration of the Leadership Team. The Committee benchmarks management salaries against prevailing market rates as required.
- The Quality Committee has been established to provide assurance to the charity Board that effective strategies and systems for the management and reporting of matters relating to the quality of care practice are in place and to scrutinise those on behalf of the Board. This will be structured under three dimensions of quality: Resident Safety; Care Effectiveness; Resident Experience.
- The Property Committee acts on behalf of the Board in assessing the strategy for development expenditure and advises the Board in property matters. The Committee approves expenditure on significant capital projects and reviews progress and quality controls.
- The Governance Committee takes delegated responsibility on behalf of the Board for ensuring good governance of the charity, for identifying and proposing new members of the Board, and for their induction, support and development.

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Organisational Structure (continued)

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. The Board delegates the remuneration of the Executive Leadership Team to the Remuneration Committee, who benchmark management salaries against appropriate comparable organisations.

Election and Appointment of Board Members

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.

Board Members are appointed by the Board through an open recruitment process led by the Governance Committee. The recruitment of new Board Members is through a process of advertisement, application and interviews, ensuring that the Board maintains an appropriate range of skills, knowledge and experience.

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.

Members who served on the Board during the year are shown in the list of officers on page 14.

Induction and Training of Board Members

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.

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.

Patrons

We would like to take this opportunity to thank our long standing Patrons, Baroness Kathleen Richardson of Calow, OBE and Pam Rhodes. We would also like to welcome Dame Denise Platt, whose appointment as a Patron was recorded in August 2015. 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.

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Connected Charities

During the year to 31 March 2016 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 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 Members (who are also directors of Methodist Homes) for the purpose 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 regulations.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102). 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:

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Statement of the Board's Responsibilities (continued)

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP and the Housing 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 company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company 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 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.

- **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.

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Internal Financial Controls Assurance (continued)

- **Monitoring systems:**

The Board has an Audit Committee, which reviews reports from management, external auditors and internal control assessments to provide reasonable assurance that control procedures are in place and being followed. The Committee makes regular reports to the Board.

The Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2016 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 auditor's report on those financial statements.

Statement as to Disclosure of Information to Auditors

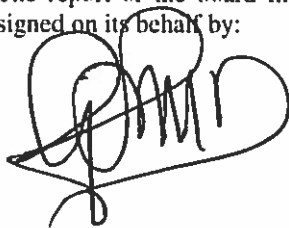
In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are trustees of the company at the date when this report is approved confirms that:

- (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 15 September 2016 and signed on its behalf by:



Graham Smith Chair
Epworth House
Stuart Street
Derby
DE1 2EQ

METHODIST HOMES BOARD, OFFICERS AND ADVISORS 31 MARCH 2016

Reference and administrative details

Patrons

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

Board

	Born	Term of Office		Committee Memberships
		Start	Finish	
Graham Smith (Chair)	1950	Apr 2011		Remuneration & Governance Committees
Other Board Members:				
Moira Simpson	1943	Sep 2009	Jul 2016	Audit Committee
Malcolm Johnson	1943	Jul 2010	Jul 2016	Quality Committee
David Hall	1941	Aug 2013		Governance Committee
Norman Mann	1942	Aug 2014		Audit & Remuneration Committees
Hilary Cocker	1956	Aug 2014		Finance & Governance Committees
Andrew Mason	1963	Nov 2014		Property Committee
Ian Ailles	1965	Nov 2014		Finance & Remuneration Committees
Andrew Cozens	1955	Aug 2015		Finance & Remuneration Committees
Bala Gananpragasam	1944	Aug 2015		Audit Committee
Debbie Aplin	1963	Aug 2015		Property Committee
Vanella Jackson	1961	Aug 2015		Property Committee
Vijay Thakrar	1961	July 2016		Audit Committee
James Riley	1958	July 2016		Quality Committee

Leadership Team

Name	Born	Joined	Position
Rev Dr Keith Albans	1956	2001	Director of Chaplaincy & Spirituality
Carol Artis	1953	2005	Director of Care Homes
Anna Marshall-Day	1972	2006	Director of People & Organisation Development
Annie Webber	1960	2013	Director of Quality
Adrian Bagg	1962	2014	Chief Executive
Joy Kingsbury	1960	2014	Director of Retirement Living
Mark Terry	1963	2015	Director of Finance
Sue Allchurch	1963	2015	Director of Marketing

**METHODIST HOMES
BOARD, OFFICERS AND
ADVISORS 31 MARCH 2016**

Company Secretary

Mark Terry

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

HSBC Plc
70 Pall Mall
London SW1Y 5EZ

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

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

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Professional Advisors (continued)

Barclays Bank Plc
1 Snowhill
Snowhill
Queensway
Birmingham
B3 2WN

Investment Advisors

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

Independent auditors' report to the members of Methodist Homes

Report on the financial statements

Our 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 2016 and of the group's and parent charitable company's incoming resources and application of resources, including its income and expenditure and the group's cash flows 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 requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Methodist Homes Report and Financial Statements (the "Annual Report"), comprise:

- the group and parent charitable company statements of financial position as at 31 March 2016;
- the group statements of financial activities and the group summary of income and expenditure account for the year then ended;
- the group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is 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).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- 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.

Independent auditors' report to the members of Methodist Homes

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Statement of the Board's Responsibilities set out on pages 11 and 12, the trustees 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's members and trustees 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.

What an audit of financial statements involves

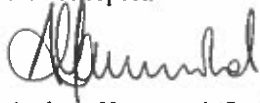
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

15 September 2016

METHODIST HOMES
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(including consolidated income and expenditure account)
For the year ended 31 March 2016

		Unrestricted	Restricted	Endowment		
	Note(s)	Funds	Funds	Funds	2016	2015
		£'000	£'000	£'000	£'000	£'000
Income and endowments from:						
Donations and legacies	2	3,737	881	-	4,618	4,815
Charitable activities	3/6					
Homes		147,711	369	-	148,080	146,079
Retirement Living		34,903	194	-	35,097	26,319
Live at Home		-	3,039	-	3,039	2,102
Other		-	413	-	413	298
Total charitable activities		182,614	4,015	-	186,629	174,798
Investments	4	193	16	12	221	213
Total		186,544	4,912	12	191,468	179,826
Expenditure on:						
Raising funds		417	-	-	417	408
Charitable activities	6					
Homes		142,957	508	-	143,465	138,545
Retirement living		35,860	214	-	36,074	27,142
Live at home		-	3,072	-	3,072	4,174
Other		98	738	-	836	3,235
Total charitable activities		178,915	4,532	-	183,447	173,096
Other	7	277	-	-	277	667
Total	5	179,609	4,532	-	184,141	174,171
Net (losses)/gains on investments	11	-	(19)	6	(13)	49
Net income/(loss)		6,935	361	18	7,314	5,704
Transfer between funds		(425)	425	-	-	-
Other recognised losses:						
Actuarial gain/(loss) on defined benefit pension schemes	24	2,773	-	-	2,773	(5,482)
Other losses – interest rate swaps	19	(1,641)	-	-	(1,641)	(2,151)
Net movement in funds		7,642	786	18	8,446	(1,929)
Reconciliation of funds:						
Total funds brought forward	23	209,310	25,579	863	235,752	237,681
Total funds carried forward		216,952	26,365	881	244,198	235,752

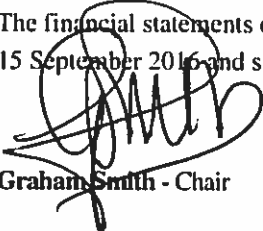
All activities in both years are continuing activities.

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 31 March 2016
Company Registered No. 4043124

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2016 £'000	2015 £'000
Fixed assets						
Tangible fixed assets	12	426,094	19,570	-	445,664	432,487
Investments	14	-	410	723	1,133	1,146
		<u>426,094</u>	<u>19,980</u>	<u>723</u>	<u>446,797</u>	<u>433,633</u>
Current assets						
Debtors	15	11,957	-	-	11,957	10,408
Cash at bank and in hand		29,388	6,385	158	35,931	27,766
Total current assets		<u>41,345</u>	<u>6,385</u>	<u>158</u>	<u>47,888</u>	<u>38,174</u>
Liabilities						
Creditors: Amounts falling due within one year	16	(34,538)	-	-	(34,538)	(34,263)
Net current assets		<u>6,807</u>	<u>6,385</u>	<u>158</u>	<u>13,350</u>	<u>3,911</u>
Total assets less current liabilities		<u>432,901</u>	<u>26,365</u>	<u>881</u>	<u>460,147</u>	<u>437,544</u>
Creditors: Amounts falling due after more than one year	17	(144,165)	-	-	(144,165)	(124,648)
Provisions for liabilities	18	(60,153)	-	-	(60,153)	(62,119)
Total net assets before defined benefit pension liability		<u>228,583</u>	<u>26,365</u>	<u>881</u>	<u>255,829</u>	<u>250,777</u>
Defined benefit pension scheme liability	24	(11,631)	-	-	(11,631)	(15,025)
Total net assets		<u>216,952</u>	<u>26,365</u>	<u>881</u>	<u>244,198</u>	<u>235,752</u>
Funds						
Endowment funds	21	-	-	881	881	863
Restricted income funds	22	-	26,365	-	26,365	25,579
Unrestricted income fund: General fund	23	216,952	-	-	216,952	209,310
Total	23	<u>216,952</u>	<u>26,365</u>	<u>881</u>	<u>244,198</u>	<u>235,752</u>

The financial statements on pages 19 to 58 were approved on behalf of the Board and authorised for issue on 15 September 2016 and signed on its behalf by:


Graham Smith - Chair

METHODIST HOMES
STATEMENT OF FINANCIAL POSITION (PARENT COMPANY)
As at 31 March 2016
Company Registration No. 4043124

		Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2016 £'000	2015 £'000
	Note					
Fixed assets						
Tangible fixed assets	12	332,799	19,570	-	352,369	340,954
Investments	14	-	410	723	1,133	1,146
		<u>332,799</u>	<u>19,980</u>	<u>723</u>	<u>353,502</u>	<u>342,100</u>
Current assets						
Debtors	15	22,565	-	-	22,565	13,779
Cash at bank and in hand		20,587	6,199	158	26,944	23,361
Total current assets		<u>43,152</u>	<u>6,199</u>	<u>158</u>	<u>49,509</u>	<u>37,140</u>
Liabilities						
Creditors: Amounts falling due within one year	16	(29,384)	-	-	(29,384)	(30,317)
Net current assets		<u>13,768</u>	<u>6,199</u>	<u>158</u>	<u>20,125</u>	<u>6,823</u>
Total assets less current liabilities		<u>346,567</u>	<u>26,179</u>	<u>881</u>	<u>373,627</u>	<u>348,923</u>
Creditors: Amounts falling due after more than one year	17	(108,482)	-	-	(108,482)	(86,104)
Provisions for liabilities	18	(46,378)	-	-	(46,378)	(47,059)
Total net assets before defined benefit pension liability		<u>191,707</u>	<u>26,179</u>	<u>881</u>	<u>218,767</u>	<u>215,760</u>
Defined benefit pension scheme liability	24	(11,631)	-	-	(11,631)	(15,025)
Total net assets		<u>180,076</u>	<u>26,179</u>	<u>881</u>	<u>207,136</u>	<u>200,735</u>
Funds						
Endowment funds	21	-	-	881	881	863
Restricted income funds	22	-	26,179	-	26,179	25,573
Unrestricted income funds: General fund	23	180,076	-	-	180,076	174,299
Total	23	<u>180,076</u>	<u>26,179</u>	<u>881</u>	<u>207,136</u>	<u>200,735</u>

The financial statements on pages 19 to 58 were approved on behalf of the Board and authorised for issue on 15 September 2016 and signed on its behalf by:


Graham Smith – Chair

METHODIST HOMES
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2016

		2016		2015	
	Note	£'000	£'000	£'000	£'000
Cash flow from operating activities:					
Net cash provided by operating activities	25		16,236		38,921
Cash flow from investing activities:					
Investment income		221		213	
Purchase of tangible fixed assets		(29,999)		(29,343)	
Proceeds from the sale of tangible fixed assets		8,405		2,800	
Proceeds from the sale of investments		-		-	
Net cash used in investing activities			(21,373)		(26,330)
Cash flow from financing activities:					
Interest paid and similar charges		(4,068)		(3,188)	
Cash inflows from new borrowing		28,325		-	
Repayments of borrowings		(10,955)		(5,957)	
Net cash provided by/(used in) financing activities			13,302		(9,145)
Net change in cash and cash equivalents			8,165		3,446
Cash and cash equivalents at the beginning of the year			27,766		24,320
Cash and cash equivalents at the end of the year			35,931		27,766

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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 accounts 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. The Charities SORP (FRS102) and FRS102 have been early adopted at 31 March 2015.

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 2016

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. Debt facilities were significantly restructured after the year-end to provide additional funds to support the charity's growth plans.

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 23.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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

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 two 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 2016

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1. Principal Accounting Policies (continued)

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 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 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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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.

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.

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 2016

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 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 2016

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.

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1. Principal Accounting Policies (continued)

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 23.

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.

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1. Principal Accounting Policies (continued)

Pensions (continued)

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

Employee benefits

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

Taxation

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

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

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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1. Principal Accounting Policies (continued)

Critical judgements in applying the accounting policies

The preparation of financial statements requires management to make judgments, 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 judgments, 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 judgments, estimates and associated assumptions necessary to calculate these provisions are based on historical experience, professional advice and other reasonable factors.

ii) Exceptional items

Judgments 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.

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	2016 Total £'000	2015 Total £'000
Donations	3,725	645	-	4,370	1,888
Big Lottery Fund grant	-	120	-	120	111
Legacies receivable	12	116	-	128	2,816
	3,737	881	-	4,618	4,815

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

3. Charitable activities

	Unrestricted	Restricted	Endowment	2016	2015
	Funds	Funds	Funds	Total	Total
	£'000	£'000	£'000	£'000	£'000
Fees and charges	162,156	1,869	-	164,025	159,692
Rents	8,480	-	-	8,480	8,328
Grants	1,040	2,146	-	3,186	2,254
Consultancy income	413	-	-	413	238
Sale of housing	10,525	-	-	10,525	4,286
	182,614	4,015	-	186,629	174,798

During the year charity has received capital grants amounting to £nil (2015: £nil) which has no unfulfilled conditions or other conditions attached. Other forms of government assistance from which the charity has benefitted amounts to £1,348,000 (2015: £885,000).

4. Investments

	Unrestricted	Restricted	Endowment	2016	2015
	Funds	Funds	Funds	Total	Total
	£'000	£'000	£'000	£'000	£'000
Investment securities – UK	-	9	12	21	23
Bank and deposit interest	193	7	-	200	190
	193	16	12	221	213

5. Analysis of expenditure

	Note	Homes	Retirement	Live at	Other	2016	2015
		£'000	Living	home	£'000	Total	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Staff costs		85,263	12,200	1,790	7,061	106,314	104,424
Operational costs:							
Supplies and services		21,572	7,446	997	6,636	36,651	34,386
Repairs and rents		13,333	1,875	285	94	15,587	13,671
Retirement housing cost of sales		-	6,859	-	-	6,859	1,627
Depreciation		7,939	2,564	-	684	11,187	11,172
Finance charges		-	1,248	-	-	1,248	5,817
Bank loan interest		2,844	584	-	534	3,962	3,522
Other costs		648	365	-	189	1,202	767
Exceptional items	8	854	-	-	-	854	(1,519)
Allocated costs/(income)		11,012	2,933	-	(13,945)	-	-
Governance costs	7	-	-	-	277	277	304
Total expenditure		143,465	36,074	3,072	1,530	184,141	174,171

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

5. Analysis of expenditure (continued)

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

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

		Homes	Retirement Living	Live at home	Other	2016 Total	2015 Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities							
Fees and charges		147,909	15,223	893	-	164,025	159,692
Rents		171	8,309	-	-	8,480	8,328
Grants		-	1,040	2,146	-	3,186	2,254
Consultancy income		-	-	-	413	413	238
Sale of housing		-	10,525	-	-	10,525	4,286
Total income	3	148,080	35,097	3,039	413	186,629	174,798
Expenditure on charitable activities							
Staff costs		(85,263)	(12,200)	(1,790)	(6,367)	(105,620)	(104,424)
Operational costs		(46,336)	(20,941)	(1,282)	(8,414)	(76,973)	(70,191)
Allocated (costs)/income		(11,012)	(2,933)	-	13,945	-	-
Exceptional items		(854)	-	-	-	(854)	1,519
Total	5	(143,465)	(36,074)	(3,072)	(836)	(183,447)	(173,096)
Total surplus/(deficit) from charitable activities 2016		4,615	(977)	(33)	(423)	3,182	
Total surplus/(deficit) from charitable activities 2015		7,534	(823)	(2,072)	(2,937)		1,702

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 below 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 2016

7. Analysis of governance and support costs (continued)

	Support Costs £'000	Governance function £'000	2016 Total £'000	2015 Total £'000	Basis of allocation
Employment costs	-	17	17	-	Staff time
Trustee expenses	-	12	12	10	Invoiced events
External auditors – audit services:					
Parent	-	155	155	71	Governance
Subsidiaries	-	24	24	24	Governance
External auditors – other services	-	-	-	-	Governance
Bank covenants	-	6	6	-	Governance
FRS 102 conversion	-	18	18	-	Governance
System conversion	-	20	20	105	Governance
Internal audit	-	-	-	6	Governance
Life assurance	213	-	213	363	Cost
Other costs	-	25	25	88	Governance
Total	213	277	490	667	

Life assurance costs are comparable with Employment costs in the prior year, except that the basis of allocation has been changed as noted.

8. Exceptional items

	2016 £'000	2015 £'000
Bank loan compensation income	-	(1,186)
Demolition provision	-	(333)
Total income	-	(1,519)
Impairment of assets	373	-
Demolition provision	481	-
Total costs	854	-
Net costs/(income)	854	(1,519)

The bank loan compensation income was received as a result of historical loans taken out from a high street bank. These loans qualified as having been mis-sold under current RSA rules and regulations. MHAA no longer has any dealing with the provider of this finance.

The demolition provision relates to the demolition site clearance and landscaping of Auchlochan House, a former care home on the site of the Auchlochan Village which was no longer used. The increase of the provision in the year arises from phase 3 of The Retreat.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

8. Exceptional items (continued)

The impairment of assets relates to the disposal of Churchfield care home which was closed in 2016. The charge of £373,000 related to an impairment to align the net book value with the net realisable value.

9. Operating lease commitments

	2016	2015
	Total	Total
	£'000	£'000
Operating leases		
The following lease payments were made during the year in respect of operating leases:		
Land and buildings	8,335	8,110
At 31 March the group and charity had commitments under non-cancellable operating leases as follows:		
- expiring in one year or less	8,335	8,110
- expiring in one to two years	8,335	8,110
- expiring in two to five years	25,006	24,331
- expiring in more than five years	182,619	186,423
	<u>224,295</u>	<u>226,974</u>

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

	2016	2015
	Number	Number
Average monthly number employed		
Care homes	4,951	5,226
Retirement living	736	619
Live at home	154	157
Office staff	212	205
	<u>6,053</u>	<u>6,207</u>
	2016	2015
	£'000	£'000
Group staffing costs		
Wages and salaries	97,617	96,170
Social security costs	6,566	6,295
Other pension costs		
- Defined benefit pension costs (note 24)	629	552
- Defined contribution pension costs	1,502	1,407
	<u>106,314</u>	<u>104,424</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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

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 £891,020 (2015: £749,000). The employer's pension contribution for the key management personnel staff was £114,648 (2015: £113,685).

The key management personnel of the group are all remunerated from the parent charity. These comprise the leadership team listed in page 14 of the financial statements. The total employee benefits of the leadership team of the charity were £10,787 (2015: £10,730)

The number of directors who received reimbursement for the cost of travel to and from meetings was 12 (2015: 13). The cost of travel expenses reimbursed was £11,555 (2015: £9,493). During the year an insurance premium of £8,374 (2015: £8,374) was paid to indemnify directors against liability for wrongful acts. No emoluments were paid during the year to any director. 21 (2015:14) employees earned over £60,000 in the year excluding pension contribution within the following bands:-

	2016	2015
	Number	Number
Between £60,001 and £70,000	8	3
Between £70,001 and £80,000	4	6
Between £80,001 and £90,000	2	-
Between £90,001 and £100,000	4	1
Between £100,001 and £110,000	1	2
Between £110,001 and £120,000	1	1
Between £120,001 and £130,000	-	1
Between £160,001 and £170,000	-	1
Between £180,001 and £190,000	1	-

21 (2015:14) employees were members of the defined contribution pension scheme.

11. Net (losses)/gains on investments

	Unrestricted	Restricted	Endowment	2016	2015
	Funds	Funds	Funds	Total	Total
	£'000	£'000	£'000	£'000	£'000
Realised gains	-	-	-	-	-
Unrealised (losses)/gains	-	(19)	6	(13)	49
	-	(19)	6	(13)	49

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

12 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	Total £'000
Cost / valuation						
1 April 2015	237,723	9,540	163,229	33,415	25,056	468,963
Additions during the year	11,651	167	18,020	1,786	1,616	33,240
Disposals during the year	-	-	(8,319)	(36)	-	(8,355)
Transfer to current assets debtors	-	-	(132)	-	(6)	(138)
Transfer between category	(1,268)	-	(106)	1,374	-	-
31 March 2016	248,106	9,707	172,692	36,539	26,666	493,710
Accumulated depreciation impairment						
1 April 2015	13,790	676	13,812	2,659	5,539	36,476
Charge for the year	6,732	327	2,063	892	1,173	11,187
Impairment charge	-	373	-	-	-	373
Transfer to current assets - debtors	-	-	10	-	-	10
Transfer between category	-	-	135	12	(147)	-
31 March 2016	20,522	1,376	16,020	3,563	6,565	48,046
Net book value						
31 March 2016	227,584	8,331	156,672	32,976	20,101	445,664
31 March 2015	223,933	8,864	149,417	30,756	19,517	432,487

The net book value at 31 March 2016 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	Total £'000
Direct charitable purposes:						
Homes	227,584	8,331	-	-	15,874	251,789
Independent living	-	-	154,615	32,976	3,032	190,623
Support offices	-	-	2,057	-	1,195	3,252
	227,584	8,331	156,672	32,976	20,101	445,664

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

12. Tangible Fixed Assets (continued)

Included within freehold land and buildings above is land of £58,238,000 (2015: £55,766,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £530,000 (2015: £32,000). The cumulative amount of capitalised interest included is £3,043,000 (2015: £2,513,000).

Included within freehold land and buildings is £23,162,000 (2015: £17,559,000) of assets in the course of construction.

Company	Care homes: Freehold land and buildings at valuation £'000	Care homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Total £'000
Cost / valuation						
1 April 2015	211,386	9,540	108,275	25,108	16,819	371,128
Additions during the year	10,048	167	15,577	1,670	1,404	28,866
Disposals during the year	-	-	(7,912)	(37)	-	(7,949)
Transfer to current assets - debtors	-	-	(132)	-	(6)	(138)
Transfer between category	(1,374)	-	-	1,374	-	-
31 March 2016	220,060	9,707	115,808	28,115	18,217	391,907
Accumulated depreciation impairment						
1 April 2015	12,901	676	9,513	2,078	5,006	30,174
Charge for the year	6,267	327	465	757	1,165	8,981
Impairment charge	-	373	-	-	-	373
On disposals	-	-	-	-	-	-
Transfer to current assets - debtors	-	-	10	-	-	10
Transfer between category	-	-	135	12	(147)	-
31 March 2016	19,168	1,376	10,123	2,847	6,024	39,538
Net book value						
31 March 2016	200,892	8,331	105,685	25,268	12,193	352,369
31 March 2015	198,485	8,864	98,762	23,030	11,813	340,954

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

12. Tangible Fixed Assets (continued)

The net book value at 31 March 2016 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	Total £'000
Direct charitable purposes:						
Homes	200,892	8,331	-	-	7,966	217,189
Independent living	-	-	103,628	25,268	3,032	131,928
Support offices	-	-	2,057	-	1,195	3,252
	<u>200,892</u>	<u>8,331</u>	<u>105,685</u>	<u>25,268</u>	<u>12,193</u>	<u>352,369</u>

Included within freehold land and buildings above is land of £50,484,000 (2015: £48,011,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £530,000 (2015: £32,000). The cumulative amount of capitalised interest included is £3,037,000 (2015: £2,507,000).

Included within freehold land and buildings is £21,390,000 (2015: £17,559,000) of assets in the course of construction.

13. Capital Commitments

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Expenditure contracted, less certified	<u>26,430</u>	<u>27,806</u>	<u>22,810</u>	<u>27,806</u>

Included within the capital commitments of the group and company are contracts relating to the development of sites which are executory contracts in nature as at 31 March 2016. 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 2016

14. Investments - Group and Company

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2016 Total £'000	2015 Total £'000
1 April 2015	-	429	717	1,146	1,096
Disposals	-	-	-	-	-
Net (loss)/gain on revaluation	-	(19)	6	(13)	50
31 March 2016	-	410	723	1,133	1,146
The securities represent:					
Methodist Church Central Finance Board:					
Equity fund units	-	300	-	300	270
Fixed interest fund units	-	110	723	833	876
31 March 2016	-	410	723	1,133	1,146

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).

15. Debtors

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	6,219	7,408	5,774	6,601
Due from group undertakings	-	-	11,145	4,216
Other debtors	1,364	361	1,296	341
Prepayments and accrued income	4,374	2,639	4,350	2,621
	11,957	10,408	22,565	13,779

Amounts receivable from group undertakings comprise a formal loan of £3,500,000 (2015: £3,500,000) which is interest bearing at a rate of 0.5% per annum (2015: 0.5%) unsecured and repayable on demand, and £7,645,000 (2015: £716,000) recharges arising from operational activities which is not interest bearing, is unsecured and payable on demand.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

16. Creditors: Amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	1,400	2,720	1,400	2,549
Charges and rents in advance	5,911	6,912	5,911	6,680
Deferred Income – buy back properties	1,254	1,325	1,254	1,070
Accruals and deferred income	11,810	4,410	9,368	3,787
Taxation and social security	3,181	3,078	3,088	2,981
Unpaid pension contributions	336	211	336	211
Loans – principal and interest	2,358	6,598	992	5,358
Other creditors	8,288	9,009	7,035	7,681
	<u>34,538</u>	<u>34,263</u>	<u>29,384</u>	<u>30,317</u>

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

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Derivative financial instruments	<u>5,825</u>	<u>4,184</u>	<u>5,825</u>	<u>4,184</u>
Loans:				
- Between one and two years	2,419	46,329	1,081	40,087
- Between three and five years	4,212	14,247	2,165	11,257
- In five years or more	105,595	30,564	94,770	24,068
Less loan arrangement fees	<u>(1,056)</u>	<u>(193)</u>	<u>(1,056)</u>	<u>(193)</u>
	111,170	90,947	96,960	75,219
Unamortised grants – deferred income:				
- Between one and two years	1,040	1,040	-	-
- Between three and five years	3,120	3,120	-	-
- In five years or more	<u>16,257</u>	<u>17,297</u>	<u>-</u>	<u>-</u>
	20,417	21,457	-	-
Deferred Income – buy back properties:				
- Between one and two years	1,218	2,576	1,014	2,118
- Between three and five years	2,293	2,388	1,921	1,980
- In five years or more	<u>3,242</u>	<u>3,096</u>	<u>2,762</u>	<u>2,603</u>
	6,753	8,060	5,697	6,701
Total	<u>144,165</u>	<u>124,648</u>	<u>108,482</u>	<u>86,104</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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

The loans are secured on certain care home and housing properties, representing 46% of the value of Freehold Land and Buildings (2015: 45%). The interest rates payable on these loans, plus the short-term loans of £2,490,000 (2015: £6,156,000), are as detailed below, confirming the drawn down amounts as at 31 March 2016, the interest rate and the respective terms.

In April 2015 the Group undertook a refinancing exercise to provide funds for future expansion plans. As part of refinancing the loan facility with the Royal Bank of Scotland was repaid in full. The facility with Barclays Banks plc was extended to £70,000,000.

Company £'000

- £70,000 is payable at LIBOR plus a margin of 2.2% until March 2025
- £29,139 is payable at LIBOR plus a margin 0.78%
- £99,139 **Company total**

Subsidiaries £'000

- £3,698 is payable at LIBOR plus a margin of 0.48% until 31 December 2021
- £196 is fixed at a rate of 4.5% until 1 March 2023
- £1,160 is fixed at a rate of 10.6878% until 31 March 2049
- £5,000 is fixed at a rate of 5.2974% until 29 July 2016, thereafter being 1% above LIBOR until 7 January 2024
- £1,042 is payable at LIBOR plus a margin of 1% until 7 September 2018
- £4,483 is payable at LIBOR plus a margin of 1% until 1 January 2024
- £15,579 **Subsidiaries total**
- £114,718 **Group total**

The company has fixed interest rates to guard against future rate movements. The fair value of the interest swaps as at 31st March 2016 is £5,825,000 (2015: £4,184,000) representing the cost of exiting this arrangement, which is not currently intended by the company. The effect of this interest rate swap is to increase bank loan interest by £1,641,000 (2015: £2,151,000) above LIBOR.

18. Provisions for liabilities

	1 April 2015 £'000	Created on new transactions £'000	Charge for year £'000	(Decrease)/ Increase in provision £'000	Utilisation of provision £'000	31 March 2016 £'000
Group						
Guarantee property buy-backs	61,359	4,461	(426)	-	(5,663)	59,731
Tax provision	412	-	-	(71)	(341)	-
Legal provision	200	-	-	(3)	(197)	-
Demolition provision	148	-	-	481	(207)	422
	<u>62,119</u>	<u>4,461</u>	<u>(426)</u>	<u>407</u>	<u>(6,408)</u>	<u>60,153</u>
Company						
Guarantee property buy-backs	47,059	3,852	710	-	(5,243)	46,378

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

18. Provisions for liabilities (continued)

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 year government bond rates have been used depending on the remaining expected life of the individual commitments by property, these being 1.42% and 0.84% respectively (2015: 1.58% and 1.00%).

Demolition provision relates to the demolition site clearance and landscaping of Auchlochan House, a former care home on the site of the Auchlochan Village which was no longer used. They are provided on an undiscounted basis.

19. Financial instruments

Group

The group has the following financial instruments:

		2016	2015
	Note(s)	£'000	£'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	15	6,219	7,407
Other debtors and accrued income	15	1,676	144
		<u>7,895</u>	<u>7,551</u>
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	14	<u>1,133</u>	<u>1,146</u>
Financial liabilities measured at amortised cost:			
Trade creditors	16	(1,400)	(2,458)
Accruals	16/17	(11,270)	(4,124)
Loans (including interest)	16/17	(113,528)	(97,547)
Other creditors	16	(10,858)	(10,969)
		<u>(137,056)</u>	<u>(115,098)</u>
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	17	<u>(5,825)</u>	<u>(4,184)</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

19. Financial instruments (continued)

Company

The company has the following financial instruments:

		2016	2015
	Note(s)	£'000	£'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	15	5,774	6,601
Due from group members	15	11,145	4,216
Other debtors and accrued income	15	1,621	127
		<u>18,540</u>	<u>10,944</u>
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	14	<u>1,133</u>	<u>1,146</u>
Financial liabilities measured at amortised cost:			
Trade creditors	16	(1,400)	(2,549)
Accruals	16/17	(9,306)	(3,511)
Loans (including interest)	16/17	(97,952)	(80,577)
Other creditors	16	<u>(10,524)</u>	<u>(10,585)</u>
		<u>(119,182)</u>	<u>(97,222)</u>
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	17	<u>(5,825)</u>	<u>(4,184)</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 2016 is £5,825,000 (2015: £4,184,000). 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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

20. Share Capital

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

21. Endowment funds

Movement in Funds							
Group and Company	1 April 2015	Incoming	Outgoing	Gains on investment assets	Transfers between restricted funds	Transfers between restricted and unrestricted funds	31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
H D Clarke Memorial Redcroft Residential Home	798	12	-	6	-	-	816
	65	-	-	-	-	-	65
	863	12	-	6	-	-	881

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

22. Restricted income funds

Movement in Funds

Group

	1 April 2015 £'000	Incoming £'000	Outgoing £'000	Losses on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2016 £'000
Care Homes	15,255	369	(508)	(19)	-	307	15,404
Independent living	2,023	112	(70)	-	-	5	2,070
Retirement housing	4,851	82	(144)	-	-	(28)	4,761
Big Lottery Fund grant	-	120	(120)	-	-	-	-
Live at home	2,467	3,492	(3,072)	-	-	-	2,887
Amenity funds	983	737	(618)	-	-	141	1,243
	<u>25,579</u>	<u>4,912</u>	<u>(4,532)</u>	<u>(19)</u>	<u>-</u>	<u>425</u>	<u>26,365</u>

Movement in Funds

Company

	1 April 2015 £'000	Incoming £'000	Outgoing £'000	Losses on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2016 £'000
Care Homes	15,255	278	(508)	(19)	-	307	15,313
Independent living	2,023	23	(70)	-	-	5	1,981
Retirement housing	4,851	82	(144)	-	-	(28)	4,761
Big Lottery Fund grant	-	120	(120)	-	-	-	-
Live at home	2,467	3,492	(3,072)	-	-	-	2,887
Amenity funds	977	731	(612)	-	-	141	1,237
	<u>25,573</u>	<u>4,726</u>	<u>(4,526)</u>	<u>(19)</u>	<u>-</u>	<u>425</u>	<u>26,179</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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22. 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. £24,000 was received in the year (2015: £90,000). Other Big Lottery Fund Grants of £96,000 (2015: £21,000) were received in the year to support Live at Home.

23. Funds

	Restricted Income Funds £'000	Endowment Funds £'000	Unrestricted Income Fund £'000	Total £'000
Group				
At 1 April 2015	25,579	863	209,310	235,752
Surplus for the year	361	18	6,935	7,314
Actuarial gain	-	-	2,773	2,773
Deficit on interest rate swaps	-	-	(1,641)	(1,641)
Transfers	425	-	(425)	-
At 31 March 2016	26,365	881	216,952	244,198

	Restricted Income Funds £'000	Endowment Funds £'000	Unrestricted Income Fund £'000	Total £'000
Company				
At 1 April 2015	25,573	863	174,299	200,735
Surplus for the year	181	18	5,070	5,269
Actuarial gain	-	-	2,773	2,773
Deficit on interest rate swaps	-	-	(1,641)	(1,641)
Transfers	425	-	(425)	-
At 31 March 2016	26,179	881	180,076	207,136

The company's surplus before donations for the year to 31 March 2016 amounted to £2,031,000 (2015: £260,000). The company's surplus after donations for the year to 31 March 2016 amounted to £6,401,000 (2015: £2,088,000) from a gross income of £178,053,000 (2015: £166,751,000).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

24. Pensions and Similar Obligations

A defined contribution scheme, Growth Plan 4, was available to all employees. The charge for the year covered 456 (2015: 540) 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 period. 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:

24. Pensions and Similar Obligations

	2016	2015	2014	2013
	% pa	% pa	% pa	% pa
Inflation (CPI)	2.00%	2.00%	2.40%	2.40%
Inflation (RPI)	3.00%	3.00%	3.30%	3.30%
Rate of increase in salaries	4.00%	4.00%	4.30%	4.30%
Rate of increase for pensions in payment	1.70%	1.70%	2.00%	2.00%
Rate of increase for deferred pensions	3.00%	3.00%	3.30%	3.30%
Discount rate	3.50%	3.10%	4.40%	4.40%

* Pensions accrued before 1 January 2000 for members who joined the scheme before 1 November 1998 are subject to guaranteed fixed increases of 5% (2015: 5%) per annum in deferment and in payment.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

24. Pensions and Similar Obligations (continued)

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

	2016	2015	2014	2013
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:

	2016 Years	2015 Years	2014 Years	2013 Years
Pensioner currently aged 65:				
Male	23.1	23.3	23.1	23.3
Female	24.8	25.0	25.1	25.3
Non-Pensioner currently aged 45:				
Male	24.8	25.1	25.3	25.5
Female	26.3	26.5	27.0	27.2

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 2016 £'000	Fair value 2015 £'000
Equities	23,911	23,481
Government bonds	16,528	17,275
Property	3,144	2,871
Cash	94	859
Total market value of assets	43,677	44,486
Present value of scheme liabilities	(55,308)	(59,511)
Deficit in the scheme	(11,631)	(15,025)

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

24. Pensions and Similar Obligations (continued)

The last formal valuation of the scheme was performed as at 30 September 2013 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

	2016	2015
	£'000	£'000
Current service cost	(149)	(132)
Expected return on scheme assets	1,343	1,696
Interest on pension scheme liabilities	(1,823)	(2,116)
Net cost	<u>(480)</u>	<u>(420)</u>
Total cost	<u><u>(629)</u></u>	<u><u>(552)</u></u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

24. Pensions and Similar Obligations (continued)

Analysis of amount recognised as Actuarial gain/(loss)

	2016	2015
	£'000	£'000
Actuarial gain/(loss) recognised in the Consolidated Statement of Financial Activities	3,753	(5,482)
Employer contribution adjustment	(980)	-
	<u>2,773</u>	<u>(5,482)</u>
Total credit/(charge) to Consolidated Statement of Financial Activities	<u>2,144</u>	<u>(6,034)</u>
Cumulative actuarial losses	<u>(15,287)</u>	<u>(19,040)</u>

Statement of Financial Position impact

	2016	2015
	£'000	£'000
Present value of funded obligations	55,308	59,511
Fair value of scheme assets	43,677	44,486
Deficit in the scheme at 31 March	<u>11,631</u>	<u>15,025</u>

	2016	2015
	£'000	£'000
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	59,511	48,807
Service cost	149	132
Interest cost	1,823	2,116
Actuarial (gain)/loss	(4,579)	10,021
Net benefits paid including expenses	<u>(1,596)</u>	<u>(1,565)</u>
Closing defined benefit obligation	<u>55,308</u>	<u>59,511</u>

	2016	2015
	£'000	£'000
Changes in fair value of plan assets		
Opening fair value of plan assets	44,486	38,836
Expected return	1,343	1,696
Actuarial (loss)/gain	(826)	4,539
Contributions by employer	1,250	980
Employer contribution adjustment	(980)	-
Net benefits paid including expenses	<u>(1,596)</u>	<u>(1,565)</u>
Closing fair value of plan assets	<u>43,677</u>	<u>44,486</u>
Return on plan assets	<u>517</u>	<u>6,235</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

24. 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 2014 showing a funding level of 84.1%. Additional contributions of £66,597 (2015: £62,774) were paid during the year.
- (iii) The contribution by the group to the defined benefit scheme paid during the year amounted to £1,250,000 (2015: £980,000). 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 2015/16 in respect of the defined contribution scheme were £858,553 (2015: £987,218).
- (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 £643,203 (2015: £550,142).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

25. Notes to the Cash Flow Statement

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

	2016	2015
	£'000	£'000
Net income	7,314	5,704
Unrealised losses/(gains) on investment	13	(49)
Investment income	(221)	(213)
Release of capital grants	(1,040)	(1,040)
Interest charge	3,962	3,522
Deficit on sale of fixed assets	(50)	134
Depreciation charges	11,187	11,172
Impairment of fixed assets	373	-
Defined benefit scheme pension contributions paid in the year	(1,250)	(980)
Defined benefit scheme pension cost charged in the year	629	552
(Decrease)/Increase in debtors	(1,093)	1,773
Increase in creditors	(3,588)	18,346
Net cash provided by operating activities	<u>16,236</u>	<u>38,921</u>

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

Cash and cash equivalents amounting to £158,000 (2015: £146,000) 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

	2016	2015
	£'000	£'000
Increase in cash and cash equivalents	8,165	3,446
Movement in borrowings	(13,302)	5,957
Change in net funds resulting from cash flows	<u>(5,137)</u>	<u>9,403</u>
Change in net funds resulting from non-cash flows	(2,681)	(424)
Movement in net debt		
Net debt as at 1 April	<u>(69,779)</u>	<u>(78,758)</u>
Net debt as at 31 March	<u>(77,597)</u>	<u>(69,779)</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

25. Notes to the Cash Flow Statement (continued)

c) Analysis of changes in net debt

			Other	
	1 April 2015	Cash flow	Non-cash changes	31 March 2016
	£'000	£'000	£'000	£'000
Cash at bank and in hand	27,766	8,165	-	35,931
Loans due within one year	(6,598)	7,103	(2,863)	(2,358)
Loans due after more than one year	(90,947)	(20,405)	182	(111,170)
	<u>(69,779)</u>	<u>(5,137)</u>	<u>(2,681)</u>	<u>(77,597)</u>

26. 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.

	2016	2015
	£'000	£'000
Assets	73,238	69,483
Liabilities	<u>(31,691)</u>	<u>(29,992)</u>
Funds	<u>41,547</u>	<u>39,491</u>
Incoming resources	6,251	6,528
Resources expended	<u>(4,195)</u>	<u>(3,674)</u>
Movement in funds	<u>2,056</u>	<u>2,854</u>

MHA Auchlochan Limited

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

	2016	2015
	£'000	£'000
Assets	29,579	27,300
Liabilities	<u>(34,063)</u>	<u>(31,773)</u>
Funds	<u>(4,484)</u>	<u>(4,473)</u>
Incoming resources	7,194	6,557
Resources expended	<u>(7,205)</u>	<u>(6,501)</u>
Movement in funds	<u>(11)</u>	<u>56</u>

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

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

27. Related party transactions

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

The contribution by the group to the defined benefit scheme paid during the year amounted to £1,250,000 (2015: £980,000).

During the financial year to 31 March 2016 two (2015; two) members of the senior management of the company 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.

During the financial year to 31 March 2016 £29,386 (2015; £29,386) was paid to Care England by MHA as an annual membership fee. Care England is a registered charity representing independent care providers and Adrian Bagg, CEO of the company, was a Director of Care England up until December 2014.

The related party transactions are as follows:

	2016	2015
	£'000	£'000
Transactions		
Pension scheme – Defined benefit	1,250	980
Pension scheme – Defined contribution	2,697	2,697
Care England	29	29
	3,976	3,706
	2016	2015
	£'000	£'000
Balances		
Pension scheme – Defined benefit	(11,631)	15,025
Pension scheme – Defined contribution	211	211
	(11,420)	15,236

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

28. Statement of Financial Activities for prior year

	Note(s)	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2015 £'000
Income and endowments from:					
Donations and legacies	2	3,059	1,756	-	4,815
Charitable activities	3/6				
Homes		146,079	-	-	146,079
Retirement Living		26,319	-	-	26,319
Live at Home		-	2,102	-	2,102
Other		298	-	-	298
Total charitable activities		172,696	2,102	-	174,798
Investments	4	170	26	17	213
Total		175,925	3,884	17	179,826
Expenditure on:					
Raising funds		408	-	-	408
Charitable activities	6				
Homes		138,516	29	-	138,545
Retirement living		26,920	222	-	27,142
Live at home		1,722	2,452	-	4,174
Other		2,756	462	17	3,235
Total charitable activities		169,914	3,165	17	173,096
Other	7	667	-	-	667
Total	5	170,989	3,165	17	174,171
Net gains/ (losses) on investments	11	-	19	30	49
Net income		4,936	738	30	5,704
Transfer between funds		21	(21)	-	-
Other recognised losses:					
Actuarial losses on defined benefit pension schemes	24	(5,482)	-	-	(5,482)
Other losses – interest rate swaps		(2,151)	-	-	(2,151)
Net movement in funds		(2,676)	717	30	(1,929)
Reconciliation of funds:					
Total funds brought forward (restated)		211,986	24,862	833	237,681
Total funds carried forward		209,310	25,579	863	235,752