

**METHODIST HOMES HOUSING ASSOCIATION
REPORT AND ACCOUNTS
31 March 2016**

Registered Provider No. LH2343

Industrial and Provident Societies No. 21860R

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METHODIST HOMES HOUSING ASSOCIATION
BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2016

1. STRATEGIC REPORT

Objectives and Activities

Methodist Homes Housing Association (“the Association” or “MHHA”) is formed for the benefit of the community to provide services for older people and other adults in need in the United Kingdom and elsewhere 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.

Our main objectives for the coming year are to continue to provide high quality services, upgrade our housing schemes with a planned programme of improvements and to reach out to more older people by developing new housing with care services.

Our values underpin all our work and strategy. We are a Christian-based association, combining professional standards and management with the highest levels of care and support for older people. Our values 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

Significant Activities

The significant charitable activities undertaken are:

i. Retirement Living

Purpose built apartments, each with individual kitchen, bathroom, bedroom and living areas for independence and privacy coupled with shared areas for activities, social events and friendship to promote well-being. The manager organises cleaning and maintenance of the building and gardens and is also on hand to provide help and assistance when needed.

ii. Retirement Living with Care

This is the same provision as retirement living but with the addition of 24-hour staffing to provide person-centred care and support to meet individual needs, including specialist dementia care.

Both Retirement Living and Retirement Living with Care apartments are available for sale, rent and part-purchase (options vary between developments).

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Achievements and Performance

The following KPI's illustrate the MHHA settings maintained:

	2016	2015
Number of Retirement Living Communities	23	23
Number of Retirement Properties Served	772	772

Financial Review

The surplus for the year ended 31 March 2016 shown in the Statement of Comprehensive Income is £2,056,000 (2015: £2,854,000). Other income of £1,040,000 (2015: £1,040,000) comprises the recognition of historic Housing Grant income. The Statement of Financial Position shows fixed assets of £64,995,000 paid for with the assistance of £20,417,000 in capital grants from the Homes and Communities Agency (Formerly the Housing Corporation) and Local Authorities.

Key Indicators

	2015/16	2014/15
	£'000	£'000
Total income	5,180	5,488
Operating costs	(3,935)	(3,437)
Other income	1,040	1,040
Net interest charges	(229)	(237)
Surplus for the year in ordinary activities	2,056	2,854
Service users	797	820
Occupancy	97.7%	96.6%
Rent arrears	1.51%	3.33%

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Reserves Policy

The Board of Directors have considered the level of reserves which should be maintained within the Association and this is reviewed annually. Such reserves are needed to cover, for example, working capital, the risk of possible shortfalls in income and other contingencies. The Board considers that minimum reserves of cash of approximately £500,000 are needed to cover such items and to enable the Association to continue to meet its objectives. Actual cash reserves were £8,050,000 (2015: £3,547,000).

Since MHHA is confident that it can meet its liabilities as they fall due from projected future income without significantly impacting on its planned level of activity, it continues to calculate its 'free' or general reserves without setting aside any designated reserves.

Risk Management

The Board has adopted Financial Strategies, which are designed to identify and control significant risks facing the organisation. All significant initiative and capital investments are subject to formal authorisation procedures.

The Board oversees strategic risk annually with additional operational risk assessment through delegation to the Audit Committee. Risk control is exercised appropriately by Leadership Team undertaking formal half yearly reviews of strategic and operational risks for their respective areas. Risk management is embedded into the organisation by the Leadership Team and Senior Managers cascading the risk reviews and obtaining feedback to inform the half yearly reviews.

Management information:

The Board approves an Annual Budget, and receives regular financial and management reports which identify variances from budget and key financial indicators.

Monitoring systems:

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

The Board has reviewed the effectiveness of the system of internal financial control for the year ended 31 March 2016 and until the date of signing this report. No weaknesses were found which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report of those financial statements.

Principal Funding Sources

The Association has a loan facility with the Nationwide Building Society of £5,000,000, which was fully drawn down. As at 31 March 2016 the balance was £3,893,000 (2015: £4,136,000).

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Value For Money (“VFM”)

The Board recognises that VFM is not simply about saving costs, but is a balance of reducing cost while maintaining service delivery and quality. The Board aims to ensure that resident satisfaction levels are high, rents are maintained at an affordable level (fully eligible for housing benefit) and schemes are upgraded through a planned programme of improvements, while maximising MHHA’s return on assets.

Rents have continued at affordable levels in 2015/16. Average rents range from £57 (2015: £56) per week for a bedsit up to £88 (2015: £87) per week for a two bedroom flat. Occupancy for the year remains high at 97.7% (2015: 96.6%); at the year end, just 17 (2015: 12) properties had been empty for longer than 4 weeks.

The Board is focused on the need to utilise its assets in an efficient and effective manner. Expenditure on capital improvement is only invested after a thorough review of life cycle costings and future scheme viability, driven in part by occupancy and rent levels.

Repairs and maintenance expenditure was £616,000 in 2015/16 (2014/15: £374,000). Capital expenditure was £1,014,000 in 2015/16 (2014/15: £1,085,000).

Improvements made this year include:

- External decorations programme
- Provision of level access showers at Wesley Court
- Office expansion & laundry relocation at Walcott Court
- Decoration & carpets at Yew Tree
- Internal redecoration & patio improvements at Norah Bellot Court
- Repairs to emergency lighting & fire doors replacement at Pilgrims Court
- Commencement of lift replacement at West Court
- Internal refurbishment works at Lawnfield Court
- Heating and hot water works at Pilgrims Court and Wesley Court
- Upgrades to fire alarm system at Grace Court
- Communal boiler replacement at Walcott Court
- Electrical remedial works at Taransay Court
- Installation of CCTV at Tranquillity Court

MHHA benefits from sharing maintenance services with MHA (the parent organisation), including the increased purchasing power available through national maintenance contracts.

Strong control is exercised over administration expenditure. Management costs are shared with MHA, enabling MHHA to benefit from the economies of scale this offers. The Board reviews the charges made by MHA on an annual basis to ensure that MHHA obtains value for money.

Return on capital in 2015/16 based on operating surplus to reserves was 3.0% down from 5.2% in 2014/15.

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Future developments

Quality

We will continue to focus on achieving high standards to improve quality of life for older people. The basis of our performance management is MHA's Standards, measuring performance in quality of care, staffing and finance.

Building Development

We will ensure our buildings provide a good standard of accommodation through:

- Undertaking planned maintenance as determined by our Stock Condition Survey and long term asset management programme to ensure we comply with Decent Homes Standard;
- Seeking feedback and input from residents into upgrade programmes e.g. kitchens, bathrooms; and
- Achieving improved Resident Satisfaction Levels in respect of all repair and planned works.

2. STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

MHHA is registered with charitable status under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider with the Homes and Community Agency (HCA). It is governed by its Rules of Association.

During the year to 31 March 2016 the Association was a subsidiary of MHA. The connected charitable organisation, MHA Auchlochach was also a subsidiary of MHA.

Organisational Structure

The Board is required to comprise not less than five and not more than twelve members, including co-optees.

MHA has the following committees all of which have a group-wide remit including the Association:

- 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.

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BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT
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Organisational Structure (continued)

- 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.

The Board delegates the day-to-day operations to the leadership team who report back to, and are held accountable by, the Board.

MHHA is compliant in all material aspects with the NHF Code of Governance.

Election and Appointment of Board Members

Board Members are appointed by the Board of MHA through an open recruitment process led by the MHA 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 only exception to this being the 'parent appointment' of Leadership Team members to ensure continuity of business strategy. Members of the Board must already be shareholders of the Association.

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 10.

Induction and Training of Board Members

New Board members receive full induction which includes our Code of Conduct, constitutional documents, policies and information relevant to the work of the Association. 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 Association and hold to account management to perform executive functions. Decisions are taken in accordance with the instructions laid down in the Association's Standing Orders and related policy documents.

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Connected Charities

During the year ended 31 March 2016, the Association worked closely with two associated charitable organisations:

Methodist Homes (MHA) - parent company
MHA Auchlochan - fellow subsidiary undertaking

Staff Members

The Association 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 are committed to retaining good staff members through good systems in 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 members, 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 the Group 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 throughout employment support. MHA continues to ensure we reflect the diversity of the local population.

Statement of the Board's Responsibilities

The Co-operative and Community Benefit Societies Act and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the MHHA and of the surplus or deficit for that period. In preparing the financial statements, the board is required to:

- Select suitable accounting policies and then apply them consistently;
- 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that MHHA will continue in business.

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BOARD OF DIRECTORS REPORT INCLUDING STRATEGIC REPORT
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Statement of the Board's Responsibilities (continued)

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of MHHA and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the accounting direction for social housing in England from April 2012. It has general responsibility for taking reasonable steps to safeguard the assets of MHHA and to prevent and detect fraud and other irregularities.

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

Internal Financial Control Assurance

The Board is responsible for the Association's 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 Association's strategic objectives. It has established the following key procedures, which are designed to provide effective internal financial control:

- **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 qualifications.
- **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 annually a rolling plan, which incorporates an Annual Budget, and receives regular financial and management reports which identify variances from budget and key financial indicators.
- **Monitoring systems:**
The Board has an Audit Committee, which reviews reports from management, external auditors and internal control assurance processes 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 financial control for the year ended 31 March 2016 and until the date of approval of the financial statements. No weaknesses were found which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report of those financial statements.

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

Statement as to Disclosure of Information to Auditors

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

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 was approved on 15 September 2016 and signed on its behalf by:



Norman Mann - - -
(Chair)
Epworth House
Stuart Street
Derby DE1 2EQ

METHODIST HOMES HOUSING ASSOCIATION
 BOARD, OFFICERS AND ADVISORS
 31 MARCH 2016

Board

	Term of Office		Committee Memberships
	Start	Finish	
Chair:			
Norman Mann	Jul 2007 Jul 2012 (c)		MHA Audit Committee MHA Remuneration Committee
Other Board Members:			
Joy Kingsbury	Nov 2014		
Graham Smith	Jul 2015		MHA Remuneration Committee MHA Governance Committee
Debbie Aplin	Jul 2015		MHA Property Committee
Hillary Cocker	Jul 2015		MHA Finance Committee MHA Governance Committee
Mark Terry	Aug 2015		

Leadership Team

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

Company Secretary

Mark Terry

Registered Office

Methodist Homes Housing Association
 Epworth House
 Stuart Street
 Derby DE1 2EQ

Tel: (01332) 296200, Fax: (01332) 296925

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

Registered Provider LH2343
 Industrial & Provident Societies - 21860R

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

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 Road London SW1Y 5EY Nationwide Building Society Kings Park Moulton Park Northampton NN3 6NW
Investment Advisors	Central Finance Board of the Methodist Church 9 Bonhill Street London EC2A 4PE

Independent auditors' report to the members of Methodist Homes Housing Association

Report on the financial statements

Our opinion

In our opinion, Methodist Homes Housing Association's financial statements (the "financial statements"):

- give a true and fair view of the state of the registered provider's affairs as at 31 March 2016 and of the registered provider's surplus and cash flows for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
 - have been prepared in accordance with the requirements of the Companies Act 2006; and
 - have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.
-

What we have audited

The financial statements, included within the Methodist Homes Housing Association Report and Accounts (the "Annual Report"), comprise:

- the registered provider statement of financial position as at 31 March 2016;
- the registered provider statement of comprehensive income and statement of changes in reserves for the year then ended;
- the registered provider 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 directors 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' 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 directors

As explained more fully in the Statement of the Board's Responsibilities set out on pages 7 and 8, the directors 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 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 registered provider's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Housing and Regeneration Act 2008 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 International Standards on Auditing (UK and Ireland) ("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 registered provider's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' 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 HOUSING ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 £'000	2015 £'000
Turnover	2	5,180	5,488
Operating expenditure	2	(3,935)	(3,437)
Operating surplus	6	<u>1,245</u>	<u>2,051</u>
Other income	3	1,040	1,040
Interest receivable and similar income		31	17
Interest payable and similar charges	7	(260)	(254)
Surplus for the year		<u><u>2,056</u></u>	<u><u>2,854</u></u>


The surplus for the year relates wholly to continuing activities.

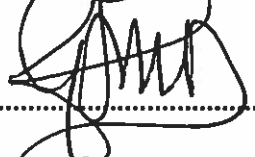
There is no difference between the reported results and those prepared on an historical cost basis.


METHODIST HOMES HOUSING ASSOCIATION
 STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2016

		2016		2015	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	8		64,995		65,641
Current assets					
Debtors	9	193		295	
Cash and cash equivalents		8,050		3,547	
		<u>8,243</u>		<u>3,842</u>	
Less: Creditors: amounts falling due within one year	10	(4,803)		(1,991)	
Net current assets			<u>3,440</u>		<u>1,851</u>
Total assets less current liabilities			<u>68,435</u>		<u>67,492</u>
Creditors: amounts falling due after more than one year	11		25,442		26,710
Provisions for liabilities	12		1,446		1,291
Capital and reserves					
Share capital	13		-		-
Income and expenditure reserve		41,547		39,491	
			<u>41,547</u>		<u>39,491</u>
Total reserves			<u>68,435</u>		<u>67,492</u>

The financial statements on pages 14 to 33 were approved by the Board and authorised for issue on 15 September 2016 and signed on its behalf by


 Chair


 Board Member


 Secretary

METHODIST HOMES HOUSING ASSOCIATION
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
Income and expenditure reserve	£'000	£'000
Balance at 1 April	39,491	36,637
Surplus for the financial year	2,056	2,854
Balance at 31 March	<u>41,547</u>	<u>39,491</u>

METHODIST HOMES HOUSING ASSOCIATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

		2016		2015	
	Note	£'000	£'000	£'000	£'000
Net cash generated from operating activities	16		5,687		3,520
Cash flow from investing activities:					
Interest received		31		17	
Purchase of tangible fixed assets		(866)		(1,085)	
Grants received		-		-	
Net cash used in investing activities			(835)		(1,068)
Cash flow from financing activities:					
Interest paid		(96)		(187)	
Repayments of borrowings		(253)		(228)	
Net cash used in financing activities			(349)		(415)
Net change in cash and cash equivalents			4,503		2,037
Cash and cash equivalents at the beginning of the year			3,547		1,510
Cash and cash equivalents at the end of the year			8,050		3,547

METHODIST HOMES HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1. Principal Accounting Policies

General information

The Association is a Registered Social Landlord. It is incorporated and domiciled in the UK. The address of its registered office is Epworth House, Stuart Street, Derby, DE1 2EQ.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord. The financial statements are prepared under the historical cost accounting rules, and in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing Act 2008 and The Accounting Requirements for Registered Social Landlords Accounting Direction for Social Housing 2012, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (Housing SORP (FRS 102)). The Housing SORP (FRS 102) and FRS 102 has been early adopted at 31 March 2015.

The Association constitutes a public benefit entity as defined by FRS 102.

Going concern

The Association'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 Association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that the association 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.

**METHODIST HOMES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. Principal Accounting Policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. MHHA is a qualifying entity as its results are consolidated into the consolidated financial statements of MHA which are publicly available.

The Association has taken advantage of the exemption from the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements of MHA in which the Association is consolidated.

Turnover

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale (all without guaranteed buyback arrangements) and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

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 in the period, as is the release of any associated buyback provision. The remaining unwound discount is released to interest.

Rental income (net of losses from voids) from tenants and leaseholders receivable in the year is recognised as it becomes due and payable.

Service charge income is recognised when expenditure is incurred, as this is considered to be the point at which the service has been performed and the revenue recognition criteria been met.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Rental income from Care home freehold property is recognised as it becomes due. Freehold care home property is rented to parent company MHA.

**METHODIST HOMES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. Principal Accounting Policies (continued)

Operating costs

Overheads relating to housing developments are recognised and excluded from operating costs.

Apportionment of management expenditure

All Head Office staff are employed by MHA. Costs are shared on the basis of the proportion of time spent by each member of staff on work associated with each subsidiary. The Head Office premises are jointly occupied and office services are shared.

Certain MHA staff spend a proportion of their time on Association duties; these costs are also recharged. Costs which cannot be directly and wholly attributed to each subsidiary are shared pro rata to salary costs.

Within the financial statements of the Association, management expenses are allocated, again on the basis of the time spent, to four separate items:

- i) Development
- ii) Management
- iii) Services
- iv) Maintenance

Service charges

The Association collects service charge income according to the annual plan for tenanted and leasehold flats. Service charge expenditure is offset, and any surplus or deficit is passed on to leaseholders.

Housing properties

Housing properties recognised as property, plant and equipment are stated at cost less accumulated depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are recognised as improvements and are fully written off over the expected useful life of the property.

Fixed assets with a cost of more than £5,000 are recognised and depreciated.

Housing properties in the course of development are stated at cost and are transferred into housing properties when completed.

Land is stated at cost and is not depreciated.

The Association separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

**METHODIST HOMES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. Principal Accounting Policies (continued)

Housing properties (continued)

The Association depreciates the major components of its housing properties as follows:

Land (not depreciated), Buildings and Roofs (60 years), Bathrooms (20 years), Kitchens (20 years), Lifts (20 years), Other equipment (20 years).

Shared ownership and staircasing

Development of shared ownership housing properties is dealt with under fixed assets in the same manner as for housing properties, except that costs relating to the first tranche sales are taken to current assets and costs relating to the remaining tranches are transferred to properties on completion.

Under shared ownership arrangements, the Association disposes of a long lease of shared ownership housing units to persons who occupy them, at a consideration of between 50% and up to 100% of the value. The occupier has the right to purchase further proportions at the current valuation up to 100%.

Upon sale, the first tranche proceeds are included within turnover and related costs charged to operating costs. Disposals of the second and subsequent staircasing tranches are treated as fixed asset disposals in the normal manner and the resultant profit, shown within "Gain/(loss) on disposal of fixed assets" in the statement of comprehensive income.

Investment property

Housing properties that are held to earn commercial rentals or for capital appreciation, or both, are treated as investment properties and accounted for in accordance with section 16 of FRS102.

Investment property is measured at fair value with movements in fair value debited or credited to the statement of comprehensive income.

Properties that are let to, and occupied by, group companies are treated as investment properties under FRS102 provided the lessee can measure the fair value of the property interest without undue cost or effort on an ongoing basis.

Depreciation is not provided on investment properties. However, these properties are not held for consumption but for investment and systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view.

Retirement housing stock

Statement of comprehensive income represents amounts relating to individual units sold during the year on a long-term lease. Unsold units 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 and sell.

The cost includes recognised interest and any other relevant applicable costs.

**METHODIST HOMES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. Principal Accounting Policies (continued)

Financial instruments

The Association 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 statement of comprehensive income.

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 profit or loss.

Financial assets are recognised 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 and other payables, housing 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.

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

iii) Offsetting

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

**METHODIST HOMES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. Principal Accounting Policies (continued)

Impairment of non-financial assets

Housing properties, including those with individual components are subject to frequent impairment reviews. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the estimated selling price less costs to sell or the value in use. Where housing properties have suffered a diminution in value, the fall in value is recognised in the statement of comprehensive income. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

Social housing grants

Where housing developments have been 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 Association accounts for its housing property at cost and recognised government grants using the accrual model. Under the accrual model grants are classified either as a grant relating to revenue or a grant relating to assets.

Grants relating to revenue are recognised in income on a systematic basis over the period in which the Association recognised the related costs for which the grant is intended to compensate.

Grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as revenue in the period in which it becomes receivable.

Grants relating to assets 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 recognised as a liability and recognised as revenue in the statement of comprehensive income.

There are no unfulfilled conditions or other contingencies attaching to the government grants that have not been recognised as income.

Other grants

Grants received from non-governments sources are recognised using the performance model. Under the performance model other grants are recognised as follows:

- (a) A grant that does not impose specified future performance-related conditions on the recipient is recognised as revenue when the grant proceeds are received or receivable;
- (b) A grant that imposes specified future performance-related conditions on the recipient is recognised as revenue only when the performance-related conditions are met; and/or
- (c) A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

**METHODIST HOMES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. Principal Accounting Policies (continued)

Cash and cash equivalents

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

Leased assets

Assets leased out under operating leases are included in the statement of financial position and depreciated in accordance with the Association's normal accounting policies. Lease income from operating leases is recognised in statement of comprehensive income on a straight-line basis over the lease term. Expenses incurred in earning the lease income (such as depreciation and maintenance costs) are recognised in the statement of comprehensive income.

Employee benefits

i) Short term 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.

ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Pensions: Defined benefit scheme

The Association participates in a defined benefit scheme, as detailed in note 15. 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 comprehensive income as they become payable in accordance with the rules of the scheme.

Taxation

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

The Association is registered for VAT although most of the Association's income (rent and grants) is exempt for VAT purposes.

**METHODIST HOMES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. Principal Accounting Policies (continued)

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

i) **Categorising Properties**

Assessing whether properties are housing properties or investment properties requires judgement. The properties held by the Association normally include general needs properties, affordable rent properties and the rental part of shared ownership properties. As the properties are held for providing social housing and not held for earning commercial rentals or for capital appreciation they are treated as housing properties held for letting (fixed assets) and accounted for in accordance with section 17 of FRS102.

ii) **Multi-employer defined benefit pension scheme**

The Association participates in a multi-employer defined benefit pension scheme. In the judgment of the directors, the Association does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note 15 for further details.

Critical accounting estimates and assumptions

i) **Impairment of debtors**

The Association makes an estimate of the recoverable value of rental and other debtors. When assessing impairment of rental and other debtors, management considers factors including the recovery rates, the ageing profile of debtors and historical experience. See note 9 for the net carrying amount of the debtors and associated impairment provision.

Future amendments to FRS102

The Association 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. Turnover and operating surplus for the year

	Note	2016			2015		
		Turnover £'000	Costs £'000	Surplus £'000	Turnover £'000	Costs £'000	Surplus £'000
Social housing letting	3	5,079	3,935	1,144	5,233	3,415	1,818
Care homes		101	-	101	108	-	108
Sale of housing		-	-	-	147	22	125
Total		5,180	3,935	1,245	5,488	3,437	2,051

METHODIST HOMES HOUSING ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2016

3. Income and expenditure from social housing lettings

	2016	2015
	£'000	£'000
Rents	3,171	3,110
Income from social housing lettings	1,796	1,988
Charges for support services	187	212
Gross rents receivable	<u>5,154</u>	<u>5,310</u>
Less: Rent losses from voids	(75)	(77)
Total income from social housing lettings	<u>5,079</u>	<u>5,233</u>
Expenditure on social housing letting activities		
Management	554	808
Service costs	1,043	1,604
Support services costs	55	106
Routine maintenance	570	304
Planned maintenance	-	13
Major repairs	46	57
Bad debts	7	8
Depreciation	1,660	515
Total expenditure on social housing activities	<u>3,935</u>	<u>3,415</u>
Operating surplus on social housing lettings activities	<u>1,144</u>	<u>1,818</u>
Average housing accommodation units – own stock (number)	<u>772</u>	<u>767</u>

Release of capital grants from government bodies have been recognised in the current year totalling £1,040,000 (2015: £1,040,000).

METHODIST HOMES HOUSING ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2016

4. Staff

	Note	2016 Number	2015 Number
Average number of employees		71	51
Average monthly number employed (full time equivalent)		40	39
		£'000	£'000
Staff costs for the above:			
Wages and salaries		792	760
Social security costs		30	38
Other pension costs	15	16	14
		<u>838</u>	<u>812</u>

There are no staff (2015: nil) employed by the Association earning over £60,000 per annum.

5. Directors' emoluments

The Directors of the Association under housing association legislation comprise the Board members, the Chief Executive and members of the leadership team. None of the Board members are paid (2015: none). Members of the leadership team are paid by MHA and their remuneration is shown in the Group financial statements. Their services are recharged under a service level agreement. During the year, the five Board members were paid £nil in expenses (2015: seven Board members were paid £nil). Board members' expenses are reimbursed by MHA and shown in the Group financial statements.

6. Operating surplus

	2016 £'000	2015 £'000
Stated after charging:		
Housing properties depreciation	1,660	515
Fees paid to the company's auditors' in respect of the statutory audit	12	12

7. Interest payable and similar charges

	2016 £'000	2015 £'000
On loans repayable wholly or partly in more than 5 years	176	176
Interest on discounted provision re property buy-backs	84	78
	<u>260</u>	<u>254</u>

METHODIST HOMES HOUSING ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2016

8 Tangible fixed assets

	Housing properties held for letting	
	£'000	
Cost		
01 April 2015		70,268
Additions during the year		1,014
31 March 2016		<u>71,282</u>
Depreciation		
01 April 2015		4,627
Charge for the year		1,660
31 March 2016		<u>6,287</u>
Net book value		
31 March 2016		<u>64,995</u>
31 March 2015		<u>65,641</u>
	2016	2015
	£'000	£'000
Included in housing properties for letting:		
Cumulative		
- Project management	1,077	1,077
- Capitalised interest	2,073	2,073
	<u>3,150</u>	<u>3,150</u>
Housing properties comprise:		
Net book value		
Freehold	56,124	56,478
Long leasehold	8,871	9,163
	<u>64,995</u>	<u>65,641</u>

No interest was capitalised in the year (2015: £nil).

METHODIST HOMES HOUSING ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2016

9. Debtors

	2016	2015
	£'000	£'000
Gross rent and services arrears	133	311
Provisions for bad and doubtful debts	(7)	(21)
	<u>126</u>	<u>290</u>
Other debtors	47	4
Prepayments	20	1
	<u>193</u>	<u>295</u>

10. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	-	131
Taxation and social security	10	12
Prepayment of rent and service charges	28	120
Amounts payable to parent undertaking	2,983	225
Housing loans	249	255
Unamortised capital grants – deferred income	1,040	1,040
Other creditors	29	29
Accruals and deferred income	464	179
	<u>4,803</u>	<u>1,991</u>

Amounts payable to the parent undertaking are interest free, unsecured and repayable on demand. Trade creditors have decreased and intercompany creditors have increase as a result of the parent company paying invoices on the company's behalf in the year.

METHODIST HOMES HOUSING ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2016

11. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Housing loans due:		
Between one and two years	249	249
Between three and five years	498	751
In five years or more	4,055	4,043
	<u>4,802</u>	<u>5,043</u>
Deferred income:		
Unamortised capital grants		
Between one and two years	1,040	1,040
Between three and five years	3,120	3,120
In five years or more	16,257	17,297
Total unamortised capital grants	<u>20,417</u>	<u>21,457</u>
Deferred income re property sales	223	210
Total deferred income	<u>20,640</u>	<u>21,667</u>
	<u>25,442</u>	<u>26,710</u>

Housing loans from the Housing Corporation, Local Authorities and Building Societies are secured by specific charges on the Association's housing properties and are repayable by instalments at a weighted average interest rate of 3.48% (2015: 3.32%) between 2020 and 2048.

12. Provision for liabilities

	Total £'000
Guarantees for property buy-backs	
Amount Brought Forward as at 1 April 2015	1,291
Properties bought back during the year	(420)
Charge in the statement of comprehensive income	84
Created on new transactions	491
Amount carried forward as at 31 March 2016	<u>1,446</u>

The guarantee for property buy-backs provision arises when the Association enters into transactions to sell the leasehold interest in Retirement Living properties with an option (exercisable by either party) for MHHA to re-purchase the leasehold at a pre-agreed amount.

**METHODIST HOMES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

13 Called up share capital

	2016		2015	
	Number of shares	£	Number of shares	£
Shares of £1 each issued and fully paid:				
1 April	5	5	5	5
31 March	5	5	5	5

The share capital of the Association consists of shares with nominal value of £1 each which carry no rights or dividends or other income. Shares are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Association.

14. Parent undertaking

The Association's immediate and ultimate parent undertaking is Methodist Homes, a registered company incorporated in England, registered charity number 1083995.

15. Pensions and similar obligations

A defined contribution scheme, Growth Plan 4 is available to all employees. Contributions to the scheme for the year were £13,000 (2015: £11,000). The charge for the year covered 14 employees (2015: 15). The contribution rate for the Association for the year varied between 1% and 6% depending on the employees' contribution, which is a minimum of 6%.

During the year all employees were able to join the auto enrolment scheme. The auto enrolment scheme is compulsory for all employees who have not specifically opted out of the scheme. Methodist Homes contributed 1% of pensionable pay for all those included in the scheme from 1 April 2013. The scheme assets are held by The Pensions Trust. The charge for the year was £3,000 (2015: £3,000) and covered 28 employees during the year.

Prior to 1 April 2010 the Association participated in the MHA Care Group pension scheme. This was a defined benefit multi-employer scheme, with assets and liabilities held independently from the Group and administered by The Pensions Trust. The Association is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contributions scheme. Contributions to the scheme for the year were £nil (2015: £nil).

An updated valuation of the scheme at 30 September 2013 indicated that the scheme was 84.1% funded. The Association has no liability with regard to this deficit.

Full details of the fair value assets, the present value of the liabilities, the long-term rate of return expected, financial assumptions used and the overall deficit of the scheme are disclosed in the financial statements of MHA

METHODIST HOMES HOUSING ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2016

16. Notes to the Cash Flow Statement.

a) Reconciliation of operating surplus to operating cash flows	2016 £'000	2015 £'000
Operating surplus	1,245	2,051
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,660	515
Decrease in trade and other debtors	102	347
Increase in trade and other creditors	2,680	607
Net cash inflow from operating activities	<u>5,687</u>	<u>3,520</u>

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

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

	2016 £'000	2015 £'000
Increase in cash and cash equivalents	4,503	2,037
Movement in borrowings	253	228
Change in net funds resulting from cash flows	<u>4,756</u>	<u>2,265</u>
Change in net funds resulting from non-cash flows	(6)	9
Movement in net debt		
Net debt as at 1 April	<u>(1,751)</u>	<u>(4,025)</u>
Net debt as at 31 March	<u>2,999</u>	<u>(1,751)</u>

c) Analysis of changes in net debt

	01 April 2015 £'000	Cash flow £'000	Non-cash changes £'000	31 March 2016 £'000
Cash at bank and in hand	3,547	4,503	-	8,050
Loans due within one year	(255)	253	(247)	(249)
Loans due after more than one year	(5,043)	-	241	(4,802)
	<u>(1,751)</u>	<u>4,756</u>	<u>(6)</u>	<u>2,999</u>

METHODIST HOMES HOUSING ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2016

17. Related party transactions

The Association has taken advantage of the exemptions not to disclose any transactions with its parent undertaking conferred by paragraph 33.1A of FRS102, 'related party transactions', on the grounds that the association's results are included in the consolidated financial statements of the parent undertaking.

Pension contributions paid to a pension fund in the year were £16,000 (2015: £11,000).

The related party transactions and balances are as follows:

	2016	2015
	£'000	£'000
Transactions		
Pension contributions	<u>16</u>	<u>14</u>
Balances		
Pension contributions	<u>1</u>	<u>1</u>