

2713150

WCS Care Group Limited
(a company limited by guarantee)

Annual Report and Financial Statements
for the year ended 31 March 2013

Registered in England and Wales Company No 2713150
Registered Charity No 1012788



WCS Care Group Limited

Annual report and financial statements for the year ended 31 March 2013

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Directors and advisers

Non-Executive directors

N C Hunter OBE - Chairman
R D Brookes
J E M Deeley
K W Demian
A S Fossey
M P Green
A T Last
M A Malloy
S P Miller

Executive management team

C A Asbury – Chief Executive
N J Wood – Director of Finance
E J Russell – Director of Operations

Secretary and registered office

N J Wood
Head Office
1st Floor
Newlands
Whites Row
Kenilworth
Warwickshire
CV8 1HW

Independent auditor

BDO LLP
Chartered accountants and registered auditor
Regent House
Clinton Avenue
Nottingham
NG5 1AZ

Solicitors

Shakespeares
Bridgeway House
Bridgeway
Stratford-upon-Avon
Warwickshire
CV37 6YY

Wright Hassall LLP
Olympus Avenue
Leamington Spa
Warwickshire
CV34 6BF

Bankers

Allied Irish Banks (GB)
Birmingham City Office
61 Temple Row
Birmingham
B2 5LT

The Royal Bank of Scotland
Derby Cornmarket Branch
41 Cornmarket
Derby
DE1 2DG

Report of the trustees for the year ended 31 March 2013

The trustees, who are also the directors of the Company, present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2013.

Reference and administrative information

WCS Care Group Limited (formerly Warwickshire Care Services Limited) (WCS) was set up on 1 May 1992 as a company limited by guarantee under registration number 2713150 and is registered with the Charity Commission under charity number 1012788. The directors, the executive management team and the principal address of the Company are as listed on page 1

Structure, governance and management

Governing document

The Company is governed by its memorandum and articles of association dating from May 1992 which were last amended on 18 January 2010

Recruitment and appointment of trustees

The directors who served during the year ended 31 March 2013, all of whom act in a non-executive capacity, are listed below

Directors

N C Hunter OBE – Chairman
R D Brookes
J E M Deeley
K W Demian
A S Fossey
M P Green (Resigned 3 December 2012)
A T Last
M A Malloy
S P Miller

The Company reviews its governance arrangements and changes its governance procedures to meet best practice principles in the charitable sector.

The Company was registered with eight members and this was subsequently increased to 12. The Management Committee (Board of Directors) may at their sole discretion increase the number of members. All members currently constitute the Management Committee. Of the present members, one was appointed by invitation of the Board and seven in response to public advertisement

**Report of the trustees
for the year ended 31 March 2013 (continued)****Recruitment and appointment of trustees (continued)**

Board members are recruited by advertising in local papers. A nomination committee, which consists of some of the directors and the Chief Executive, formally shortlists and interviews candidates, with the final appointment approved by the Board. A job description is provided for all Directors

In accordance with the Company's Articles of Association one third of the Management Committee members retire each year and those offering themselves for re-election are those serving longest since their election or re-election

Mr R D Brookes, Mrs J E M Deeley and Mrs M A Molloy retire by rotation and will offer themselves for re-election at the annual general meeting.

Trustee induction and training

Induction consists of a Trustees Handbook; a comprehensive session with each member of the Executive Management Team; and an in depth tour of the Group.

Training is carried out both with external agencies and via in-house training

Management of organisation

The body responsible for the management of the Company is the Board of Directors (Management Committee) The Board has five scheduled meetings each year with other meetings arranged as necessary Members are elected every three years and serve a maximum term of nine years. The maximum number of members that can be elected to the Board is 12 The Board elects the Chairman at the December Board Meeting

The Board receives reports from two formally constituted sub-groups and one sub-committee:

Service Quality Sub-Group
Finance, Risk and Audit Sub-Group
Development Committee

Each sub-group has specific terms of reference and functions delegated by the Board.

The Chief Executive and the Executive Management Team attend meetings of the Board. The Chief Executive attends the sub-group meetings and is accompanied by members of the Executive Management Team as necessary

The Board have overall responsibility for ensuring the Company has an appropriate system of internal financial and managerial controls across the entire organisation.

The Executive Management Team meets monthly, the focus being on strategy and financial and operational issues and the strategic outcome of these meetings is conveyed to all locations through the Director of Operations.

**Report of the trustees
for the year ended 31 March 2013 (continued)****Management of organisation (continued)**

The Company has two Service Managers who support the Director of Operations in the management and development of the homes. Specifically their role is to provide advice to the managers and monitor their operational performance. Direct line management of the home managers is retained by the Director of Operations.

The management of each residential home is split into five clear functional areas. The Home Manager holds overall responsibility for the day to day running of the home, the Care Manager oversees all care provision, the Office Administrator general administration, the Housekeeper domestic services and the Caterer meals provision. Management meetings are held on a regular basis to both review and develop the service and to address specific issues.

Each home manager, in consultation with residents and staff, sets annual measurable aims and objectives and in addition identifies action required in response to Care Quality Commission (CQC) and other Inspection Reports, Regulation 26 visits, quality assurance returns and Health & Safety Audits. These in turn are monitored by the Director of Operations.

Managers in Residential Care Homes enjoy the benefits of a performance related pay scheme with clear achievable targets linked to compliance with CQC Essential Standards of Care & Safety, occupancy and control of operational costs. These are set and assessed annually by the Service Quality Sub-Group.

The Group's strategy for the management of human resources is based on security of employment, competitive pay rates, access to training and a firm management structure. The maintenance of high care standards is known to depend on highly motivated, skilled and dedicated Managers and staff who uphold equal opportunities, support staff and reflect the needs of service users.

As part of the Group's commitment to public accountability an annual meeting is held by the Chief Executive, Director of Operations and one of the board directors at every home where service users, managers, staff and interested stakeholders are invited to attend and participate in an evaluation of the Group's operational and financial performance for the year and future development.

Related parties

The Company has one wholly owned subsidiary which traded during the year, Warwickshire Home Care Services Limited (WHCS), which is also a registered charity. This charity was set up to operate the Group's home care service operation. The trade and assets were sold to Choice Healthcare (Warwickshire) Limited on 23 November 2012. Further information is provided in note 10 to the financial statements.

Significant Contracts

The Company has an extended four year care contract with Warwickshire County Council (WCC) to provide residential care services to older people and people with disabilities and provides the Company with around two-thirds of its income with the remainder generated from sales to private individuals or other public authorities. In June 2011 WHCS was successful in being included on the WCC multi supplier framework contract for the provision of Home Care Services covering various client groups. While in operation the framework contract provided the subsidiary with over ninety per cent of its income with the remainder generated from sales to private individuals, housing associations or other public authorities.

Report of the trustees for the year ended 31 March 2013 (continued)

General risk management

On an annual and continuous basis hazards or specific risks are identified and rated high, medium or low

Controls are then designed to minimise or mitigate the risk through quality measures, indicating action required and by whom. For each risk a review date is set. The Business Risk Assessment method forms an integral part of our Business Planning Cycle.

The directors have examined the principal areas of the Group's operations and considered the major risks faced in each of these areas. The Executive Management Team reviews strategic risks on a bi-monthly basis and reports on these to the board. In the opinion of the directors, the Group has established resources and review systems which, under normal conditions, should allow these risks to be mitigated to an acceptable level in its day to day operations.

The future of the WCC care contract and leases, which are the subject of negotiation with the Council, is the most significant risk faced by the Company

Key performance indicators

Each home within the residential care operation prepares a monthly Management Report linked to ISO 9001 and OHSAS 18001 quality and health and safety management systems which includes key performance indicators to ensure each part of the business is compliant with these standards which are both internally and externally audited. The Homes Management Report includes seven key areas covering care planning, human resources, health and safety, food safety, complaints, accidents and workforce development. The main key performance indicators used to manage the residential care home operation include compliance with CQC Essential Standards of Quality & Safety, occupancy levels, care staff to residents ratio related to dependency levels, proportion of care staff with the Diploma in Health & Social Care Level 2 qualification, agency usage, sickness percentage levels and staff turnover percentage.

Some of these key performance indicators enable the organisation to benchmark against national statistics and plan strategically to improve the overall service in areas such as ethnicity in the workforce, staff turnover, staff qualifications, CQC Essential Standards and health and safety performance.

Financial risk management

The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit any adverse effects on the financial performance of the Group.

The Group does not use derivative financial instruments to manage interest rate risks and as such, no hedge accounting is applied.

Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-group of the board. The policies set by the board of directors are implemented by the Group's finance department.

**Report of the trustees
for the year ended 31 March 2013 (continued)****Governance review**

The Board of Directors review all issues related to Governance with outcomes and actions agreed and progress reported during the year. In January and February 2013 a formal sub-committee was set up by the Board to undertake a full Governance Review; recommendations from this sub-committee were adopted by the Board in March 2013.

Public benefit

The charity trustees have complied with the requirement contained in section 4 of the Charities Act 2011 to have due regard to the guidance on public benefit published by the Charity Commission in exercising their duties.

Fees charged to service users are commensurate with maintaining the financial viability of the organisation. Charges for services are reviewed annually and set at a level which is currently below the market rate for the services being provided.

Service users who are not able to fund their place entirely from their own resources are normally subsidised by their local authority, predominately Warwickshire County Council, following an assessment of care needs.

In this way the Group is able to ensure that individuals across the whole community are able to benefit from the high quality services WCS offers.

Principal objects

The principal object of the Group is the operation of residential care homes for older people and people with physical disabilities and, up to November 2012, the provision of home care services. WCS Care Group aims to provide high quality affordable care through the application of a competitive charging policy and rigorous quality assurance systems.

Objectives for the year

This year, the focus for the Group has been on achieving the following objectives:

- To grow and develop WCS securing our future quality and sustainability with our own assets
- To increase surplus and utilise to maintain/expand our high quality services
- To provide services that reflect the needs of the community as a whole and offer a range of choices for individuals
- To reflect the changing market demands for specialist dementia care by increasing provision of this in our existing home portfolio; future-proofing current estate where feasible; expanding locations; and developing our practice/delivery model

Report of the trustees for the year ended 31 March 2013 (continued)

Objectives for the year (continued)

- To maintain our public benefit remit and continue to engage positively with statutory bodies including WCC to identify ways to meet their needs and achieve ongoing contract placements

Strategies to achieve objectives

The Board's focus to achieve the objectives has been the implementation of the following strategies:

In providing support to our public benefit commitment, maintain contract and spot purchase arrangements with Warwickshire County Council and other local authorities to ensure that all potential service users can access the Group's services irrespective of their financial position

To review and maintain our Quality Assurance System and Human Resources Strategy that meets the objective of delivering high quality care standards and which are controlled and audited by BS EN ISO 9001 2008 Quality Management System.

To implement a marketing and communication strategy that will further promote our quality provision in the market place

To monitor the changing care market through maintaining communication with major purchasers and providers.

To maintain and develop contacts with partners and key stakeholders in Warwickshire in order to maximise business opportunities and partnerships.

To increase our customer base by expanding and continuing to generate surpluses and enhance reserves.

To subject all business growth opportunities to a rigorous evaluation to ensure that only those with a sound business case proceed

Achievements and performance

Care management

WCS maintained and developed a Quality Assurance System and key actions contained in that strategy have been achieved through the year:

- Reviewed and developed a Management System linked to the Care Management System promoting personalised care and quality
- Completed a review and revision of all policies and procedures, and housekeeping and catering standards set

**Report of the trustees
for the year ended 31 March 2013 (continued)****Care management (continued)**

- Held resident meetings, completed resident and stakeholder questionnaires, held Annual Review meetings in all homes with staff, residents and relatives as part of the Quality Assurance System
- Continued to encourage people who use our services to be active members of the community and to maintain as much independence and choice as possible, living their lives where they can as they did prior to living in the home
- Continued progress has been made on creating a culture that is open and transparent, and that has agreed and achievable objectives
- Increased the number of rooms by six with the addition of two premium rooms in each of three homes (Attleborough Grange, Dewar Close and Woodside)
- Occupancy and utilisation of hours has been closely monitored and action has been taken as required, addressing shortfalls Occupancy for the year was 98% (2012 – 98%) against a target of 97.5%.
- During the year the Group has been recredited with BS EN ISO 9001 2008 Quality Management System, BS EN ISO 14001 2004 Environment Management System and OHSAS 18001:2007 Health & Safety Management System
- WCS continues to maintain the registration of all services with the Care Quality Commission and the charity complies with the Essential Standards of Quality & Safety

People management

WCS continued to revise, update and implement the Human Resource Strategy.

During the year a list of key actions from the strategy have been worked on with the resultant achievements

- Managers within WCS have a clear understanding of and are accountable for carrying out their responsibilities for managing people They have been provided with professional advice and support, enabling them to manage and develop their staff.
- We have marketed ourselves as an employer of choice, improved recruitment and selection practices ensuring that both the number and the skills of staff are available to meet organisational needs. Staff turnover decreased to 21% (2012 - 22%) and was marginally above the target of 20% Despite the level of staff turnover remaining significant WCS does not have many staff vacancies.
- Implementation of an extensive and comprehensive Training and Development programme has continued, providing our staff with the appropriate skills and knowledge to achieve our organisational objectives
- The percentage of care staff with the Diploma in Health & Social Care Level 2 qualification and above has risen slightly to 82% (2012 – 81%) and is ahead of the target of 80%.

**Report of the trustees
for the year ended 31 March 2013 (continued)****People management (continued)**

- Individuals and teams have clarity of their respective roles and responsibilities. We have a competency approach to performance; a process for appraisal/development and recognition of excellent performance, new capability and disciplinary procedures.
- WCS has in place Conditions of Service which comply with legislation, are flexible, support the organisation's values and objectives, and which promote employee satisfaction.
- Sickness absence has remained the same at 5.3% (2012 – 5.3%) and is slightly below the target of 5.4%.

Maintaining and extending services provided, business relationships and public benefit

The most significant focus of the year was the development of our new 75 bed state of the art specialist dementia/nursing home Drovers House at the old Rugby Cattle Market. Funded predominantly through the charity's own reserves, building started on site in September 2011. The programme paused for several months when the developer went into administration and restarted in November 2012 with a new contractor, Thomas Vale Construction. It is due to open in September 2013.

Regular dialogue has been maintained with the Group's major purchaser at both senior and local officer level to help shape the current and future needs of the services provided by the organisation.

In April 2008 Warwickshire County Council (WCC) issued WCS with a four year contract and leases which have been extended to 31 March 2013. WCS is currently negotiating a new position with WCC beyond 2013.

The charity has maintained a strong commitment to public benefit by providing services to WCC and other local authorities. In the past year approximately 63% of places in residential care homes have been contracted to local authorities helping to support members of the community who are unable to fully fund the services provided to them. When it was operational the domiciliary care operation provided around 85% of its service to local authorities while virtually all day care is utilised by WCC.

Strengthening the financial position

Excluding the impact of changes in the pension scheme liability the Group has made modest surpluses in the year, building on the reserves generated in previous years.

Business growth opportunities

During 2012/13 the Board negotiated the purchase of a site in Common Lane Kenilworth which has outline planning consent for a 72 bed specialist dementia care home. The sale was completed after the financial year end. Following the commissioning and consolidation of Drovers House in Rugby, this will be the next development for WCS.

Report of the trustees for the year ended 31 March 2013 (continued)

Future plans

A new business strategy was developed and reviewed throughout 2012 by the Executive Management Team which comprises the Chief Executive, Director of Finance and Director of Operations

The strategic vision was confirmed as

To provide high quality, individualised care that enables people to continue a fulfilling life based on personal choice, whether independently or socially funded

The fundamental principles underpinning this strategy are as follows

- WCS generally aims to acquire or build new facilities **in addition** to the current homes/places rather than **to replace** current homes
- WCS will develop strategies for ensuring that we minimise loss of beds/income during the redevelopment process
- WCS will continue to keep at the forefront the imperative of delivering public benefit and therefore working in partnership with WCC

The key elements of the growth strategy are to grow WCS older people's services by approximately 400 beds over a 5-7 year period based on a mix of successful existing homes operated by WCS and new build/new acquisitions

In September 2012 the Board decided to withdraw completely from the home care services market and the home care business transferred to Choice Healthcare (Warwickshire) Limited in November 2012.

Capital investment programme

Under the original leases the Group had a leasehold obligation to refurbish all of its Homes to registration standards. All eleven Homes were refurbished at a cost of £11.5m after taking account of the funding of furnishings and equipment and other costs.

With the introduction of the Care Standards Act 2000 in April 2002, the Health & Social Care Act 2008 in April 2010 and the changing market for residential care services, it is important that the Group continually evaluates its property portfolio to ensure that its position in the market place is maintained

In September 2011 work began on the Company's first new residential care home which will provide specialist dementia care services for up to 75 service users. Located close to Rugby railway station and the town centre, Drovers House has been financed mainly from internally generated funds but also some bank lending. The new home was completed in August 2013 and will be ready for occupation in September 2013

Further large scale projects beyond the Rugby development will be funded through a combination of working with other partner organisations, other bank facilities, internally generated resources and property leasing

**Report of the trustees
for the year ended 31 March 2013 (continued)****Financial review*****Financial results***

After crediting interest, the Group generated an overall surplus of £459,000 (2012 –£548,000) in the financial year ended 31 March 2013 the reduction being due mainly to additional operational expenditure. This year's financial performance has had a positive impact on the Group's balance sheet which, after allowing for the pension scheme deficit, shows net assets of £6,154,000 (2012 - £5,695,000)

The above result is after adjusting for FRS 17 'Retirement Benefits'. The net assets of the Group before this pension adjustment are £9,262,000 (2012 - £8,365,000) and whilst substantial net assets are not the prime business objective, a strong balance sheet is important in providing the resources to support the Group's development. The Group is still able to pay its debts as and when they fall due and it continues to provide quality care to its service users.

The Parent Company, WCS, benefited from strong trading conditions in the period which saw income from sales to private self-funded clients increase by 4% and spot purchases from WCC increase by 26%. During the year the Company created six additional places across three homes which contributed to some of the growth and help offset a small reduction in occupancy. There has also been growth in dementia care places which attracts a higher fee.

Other income fell by 31% due to a combination of the sale of the Home Care Services business in November and the reduction in the provision of day care services to WCC. Following a detailed review of the service, in September 2012 the Board decided to withdraw completely from the home care services market. On 23 November 2012 the trade, fixed assets and stock of Warwickshire Home Care Services Limited were sold to Choice Healthcare (Warwickshire) Ltd for approximately book value.

During the financial year there has been a continued rise in the number of dementia care places provided by the Company. All WCS Homes for Older People provide dementia care services and it is planned to promote further growth in this area in the forthcoming financial year. The growth in dementia services positions the Group well in the market place, achieving a competitive increase in fee income and improved staffing levels. The benefits of this enhanced service provision have fed through into increased turnover in this financial period.

Care operating expenditure continues to absorb relatively high property maintenance costs and additional depreciation from the completion of the additional bedrooms and some boiler replacements. The Executive Management Team is charged with maintaining a tight control over operating and administrative expenditure whilst still recognizing the need to undertake major maintenance works at some Homes so that the high level of service to our service users is maintained. Payroll costs have increased this year due to the deployment of additional staffing within the dementia households. The Homes have made every effort to minimise the use of agency staff and costs in this area have decreased by 6% in the year.

The cost of smaller items of furnishings and equipment purchased by the Homes which, in accordance with the Group's accounting policies has not been capitalised, increased to £92,000 (2012 - £79,000). This expenditure reflects the Group's continuing commitment to maintain a high level of décor and furniture within the Homes for the benefit of our service users.

Report of the trustees for the year ended 31 March 2013 (continued)

Financial results (continued)

The cost of all refurbishment and capital works has been depreciated since the completion of each individual scheme. The Group has undertaken the refurbishment of all its Homes and due to the additional works this year depreciation costs have increased to £587,000 (2012 - £470,000). Further information on depreciation costs can be found in note 9 to the Financial Statements.

Cost increases were experienced in care staff, through the deployment of additional carers in dementia households, property maintenance, foodstuffs, energy, professional services and marketing. Minor cost reductions arose in areas such as training and performance related pay.

During the past few years the Group has received legacies and donations for the sole benefit of residents in certain Homes. The legacies are restricted funds which cannot be used for any other purpose and their net value at the end of the financial year was £5,000 (2012 - £5,000) which is included in the net assets figure above.

Financial future

Although the Group operates on a 'not-for-profit' basis, the financial future of the business can only be secured through the delivery of an efficient and effective service that provides operating surpluses to finance even higher standards and future developments.

Despite the continuing underlying financial success of the Group a number of significant financial pressures remain and these include

1) *Staffing costs*

Over many years now the real cost of employing direct care staff in our residential Homes has been increasing by significantly more than the rate of inflation. The increase in cost has resulted from meeting the needs of ever frailer residents, specific requirements to meet Dementia Care standards, changes in legislation, meeting the requirements of the National Minimum Wage and the use of high cost agency staff. Strong competition for staff, large increases in the National Minimum Wage and the continuing professionalisation of the workforce continues to maintain the upwards pressure on staffing costs.

In recent years the tightening financial position of the Company and the economy in general has led to very small increases in grade rates. Due to the lack of fee increases by WCC it has been essential for pay awards to be kept to a minimum, in line with many employers in the sector, other than to recognise the increase in the National Minimum Wage in October 2012. Despite this there is still pressure on the organisation to generate the income to meet its major costs.

WCS Care Group Limited

Report of the trustees

for the year ended 31 March 2013 (continued)

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Financial future (continued)

ii) Property maintenance costs and environment expenditure

The Group's original refurbishment programme did not address all property aspects and certain equipment, such as boilers, which were not replaced, require significant maintenance leading to higher property costs in future years as the buildings begin to age. Further resources have also been earmarked to provide an enhanced environment within the Homes including the purchase of new furniture, flooring and curtains.

iii) Other costs

Expenditure on insurance, CQC registration fees and water services is now more stable while the cost of food and energy continues to rise.

In seeking to meet the increasing operational costs faced by the Group, the business strategy is geared towards improving income streams whilst being as efficient as possible in the deployment and management of staff and in contracting for services.

Places within our Homes are purchased either by people with independent means or those supported through public expenditure to meet the specific care needs of very frail older people. This has been recognised by the Group, with certain Homes specializing in meeting the needs mainly of those people with independent means. Fees within these Homes are set much closer to market rates which in some cases are significantly higher than WCC support prices and will enable the Group to generate additional income to meet rising care costs. The Group, however, remains committed to ensuring that places will be available at support prices throughout Warwickshire to meet its commitment to operating for the public benefit.

With WCC support prices increasing at well below the general rate of inflation in the previous five years the Council recognised that fee levels had fallen behind and so increased average prices by 4% in 2012/13. This has helped improve the financial viability of the organisation and has contributed towards meeting our rising costs.

The Executive Management Team has also been focused on controlling costs and during the year has reduced agency usage and negotiated much more favourable contracts in areas such as insurance and hygiene.

The need to balance rising care standards and costs with income generation has driven the Group's business strategy since inception. However, to secure the Group's future position as the leading independent care provider in Warwickshire, Directors are committed to the generation of higher operating surpluses with the aim being to continue to strengthen the Group's Balance Sheet and to invest in new residential care homes. The Directors have a long term aim of building unrestricted reserves to a level that would support the operation of the Company for a minimum of three months. On the face of it this objective has been achieved.

However, WCS only had four year leases on the properties it improved and so the net book value currently included in the accounts may not be recovered over the period originally envisaged. As a result, the £3.3m received from WCC as a contribution towards additional capital expenditure on the refurbishment programme has been put aside within Designated Funds. From April 2008 these funds started to be released back to unrestricted reserves based on the depreciation of the investment in these properties.

**Report of the trustees
for the year ended 31 March 2013 (continued)*****Financial future (continued)***

On the basis that WCC support rates rise in line with expectations, Directors are still confident the Group will be able to maintain care standards and develop its core services, as envisaged in the Business Plan.

Employees

The Group recognises its responsibilities in relation to people with disabilities. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should be, as far as possible, identical to that of a person who does not suffer from a disability.

The Group has a Recognition Agreement with Unison and consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the distribution of a newsletter to all members of staff to keep them informed of Group affairs.

Taxation status

As a charity the Company is exempt from corporation tax on its charitable activities as is the subsidiary company Warwickshire Home Care Services Limited, which is also a registered charity.

Insurance of directors

The Group maintains insurance for the directors of WCS Care Group Limited in respect of their duties as directors of the Group.

Reserves policy

It is the policy of the Group to maintain unrestricted funds, which are the free reserves of the Group, at a level which will support the operation of the business for a minimum of three months. As stated in the financial review, this policy objective has been achieved but due to the uncertainty over the recovery of the Group's investment in its Homes part of the organisation's reserves have been transferred to Designated Funds. The Group also has a significant deficit on its defined benefit pension scheme which is impacting on its reserves. The reserves are held to provide funds for the future development of its property portfolio, continual improvement of services and growth within the Group. The reserves policy is reviewed on an annual basis.

**Report of the trustees
for the year ended 31 March 2013 (continued)****Reserves policy (continued)**

The deficit in the Group's defined benefit pension scheme is detailed in note 14 to these accounts. The deficit has arisen due to widely publicised falls in the stock market, changes in the assumptions on the life expectancy of members of the scheme and low interest rates which increase the cost of future liabilities. The pension fund is effectively closed to new members and so normal employer contributions are steadily falling. However, additional employer contributions are also being made with the aim of reducing the deficit. These contributions are reflected in the increased employer contribution rates over the past few years.

Statement of disclosure of information to auditor

The directors at the time when the Report of the Trustees was approved confirm that

So far as they are aware, there is no relevant audit information of which the Group's auditor is unaware, and

Each director has taken steps that ought to have been taken as a director in order to be aware of any information needed by the Group's auditor in connection with preparing their report and to establish that the Group's auditor is aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent charity and of the incoming resources and application of resources, including its income and expenditure, of the Group and parent charity for the year. In preparing those financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments 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 charity will continue in business.

The directors are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent charity and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the trustees
for the year ended 31 March 2013 (continued)**

Subsequent Events

On 22 May 2013 the Company acquired the entire share capital of Common Lane Developments Limited, a company set up to develop a site it owns in Kenilworth which has outline planning permission for a 72 bed specialist dementia care home

Independent auditor

A resolution to reappoint BDO LLP as auditor to the Group will be proposed at the annual general meeting

The Report of the Trustees has been approved by the Board of Directors and is signed on behalf of the Board by.

A handwritten signature in black ink, appearing to be 'N C Hunter', enclosed within a large, loopy circular flourish.

N C Hunter
Chairman
24 June 2013

**Annual Report and Financial Statements
for the year ended 31 March 2013****Independent Auditor's report to the Members of WCS Care Group Limited**

We have audited the group and parent charity financial statements ("the financial statements") of WCS Care Group Limited for the year ended 31 March 2013 which comprise the consolidated and parent charity statement of financial activities, the consolidated and parent charity balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditor under the Companies Act 2006 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 parent charity'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. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Annual Report and Financial Statements
for the year ended 31 March 2013**

**Independent Auditor's report to the Members of WCS Care Group Limited
(continued)**

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 March 2013 and of the group's and parent charity's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept in respect of the parent charity, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent charity financial statements do not accord with the accounting records; or
- certain disclosures of trustee's remuneration specified by law are not made, or
- we have not received all the information or explanations we require for our audit

BDO LLP

Roger Merchant
Senior statutory auditor
For and on behalf of BDO LLP, Statutory auditor
Nottingham

3/7/13

Consolidated statement of financial activities (including income and expenditure account) for the year ended 31 March 2013

	Notes	Unrestricted funds £000	Restricted funds £000	Total funds 2013 £000	Total funds 2012 £000
Incoming resources					
Income from Charitable Activities					
Provision of care services	2	11,170	-	11,170	11,043
Donations	16	-	-	-	6
Incoming Resources from Generated Funds					
Investment income	4	30	-	30	53
Total incoming resources		11,200	-	11,200	11,102
Resources expended – Charitable expenditure					
Care operating expenses	6	10,187	-	10,187	10,009
Governance costs	7	36	-	36	33
Interest payable	5	90	-	90	72
Total resources expended		10,313	-	10,313	10,114
Net incoming resources/ net income before other recognised gains and losses	8	887	-	887	988
Actuarial gain/(loss) on defined benefit pension scheme	14	(428)	-	(428)	(440)
Net movement in funds		459	-	459	548
Reconciliation of funds					
Fund balances brought forward at 1 April		5,690	5	5,695	5,147
Net movement in funds after actuarial loss in defined benefit pension scheme		459	-	459	548
Fund balances carried forward at 31 March		6,149	5	6,154	5,695

All activities are continuing. No differences exist between the net incoming resources as reported in the statement of financial activities and the historical cost results (2012: £nil).

Company statement of financial activities (including income and expenditure account) for the year ended 31 March 2013

	Notes	Unrestricted funds £000	Restricted funds £000	Total funds 2013 £000	Total funds 2012 £000
Incoming resources					
Income from Charitable Activities					
Provision of care services	2	10,749	-	10,749	10,151
Donations	16	-	-	-	6
Incoming Resources from Generated Funds					
Income from subsidiary undertaking		-	-	-	-
Investment income	4	30	-	30	53
Total incoming resources		10,779	-	10,779	10,210
Resources expended – Charitable expenditure					
Care operating expenses	6	9,550	-	9,550	9,109
Governance costs	7	35	-	35	32
Interest payable	5	90	-	90	72
Total resources expended		9,675	-	9,675	9,213
Net incoming resources/ net income before other recognised gains and losses	8	1,104	-	1,104	997
Actuarial gain/(loss) on defined benefit pension scheme	14	(428)	-	(428)	(440)
Net movement in funds		676	-	676	557
Reconciliation of funds					
Fund balances brought forward at 1 April		5,459	5	5,464	4,907
Net movement in funds after actuarial gain in defined benefit pension scheme		676	-	676	557
Fund balances carried forward at 31 March		6,135	5	6,140	5,464

All activities are continuing. No differences exist between the net incoming resources as reported in the statement of financial activities and the historical cost results (2012: £nil).

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Balance sheets as at 31 March 2013

		Group		Company	
	Notes	2013 £000	2012 £000	2013 £000	2012 £000
Fixed assets					
Tangible assets	9	8,566	6,664	8,566	6,661
Investments	10	-	-	-	-
		<u>8,566</u>	<u>6,664</u>	<u>8,566</u>	<u>6,661</u>
Current assets					
Debtors	11	947	866	947	723
Cash at bank and in hand		1,596	2,549	1,596	2,549
		<u>2,543</u>	<u>3,415</u>	<u>2,543</u>	<u>3,272</u>
Creditors: amounts falling due Within one year	12	<u>(1,840)</u>	<u>(1,706)</u>	<u>(1,854)</u>	<u>(1,791)</u>
Net current assets		<u>703</u>	<u>1,709</u>	<u>689</u>	<u>1,481</u>
Total assets less current liabilities		<u>9,269</u>	<u>8,373</u>	<u>9,255</u>	<u>8,142</u>
Creditors: amounts falling due after more than one year	13	<u>(7)</u>	<u>(8)</u>	<u>(7)</u>	<u>(8)</u>
Net assets excluding pension scheme liability		<u>9,262</u>	<u>8,365</u>	<u>9,248</u>	<u>8,134</u>
Pension scheme liability	14	<u>(3,108)</u>	<u>(2,670)</u>	<u>(3,108)</u>	<u>(2,670)</u>
Net assets including pension scheme liability		<u>6,154</u>	<u>5,695</u>	<u>6,140</u>	<u>5,464</u>
Funds					
Unrestricted					
Designated fund	17	963	1,528	963	1,528
Other charitable fund	18	8,294	6,832	8,280	6,601
		<u>9,257</u>	<u>8,360</u>	<u>9,243</u>	<u>8,129</u>
Pension scheme liability	14	<u>(3,108)</u>	<u>(2,670)</u>	<u>(3,108)</u>	<u>(2,670)</u>
Unrestricted funds including pension liability		<u>6,149</u>	<u>5,690</u>	<u>6,135</u>	<u>5,459</u>
Restricted fund	16	5	5	5	5
Total funds		<u>6,154</u>	<u>5,695</u>	<u>6,140</u>	<u>5,464</u>

The financial statements on pages 19 to 40 were approved and authorised for issue by the board of directors on 24 June 2013 and were signed on its behalf by



N.C. Hunter
Chairman

Consolidated cash flow statement for the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Net cash inflow from continuing operating activities	19	1,259	1,037
Returns on investments and servicing of finance			
Interest received		37	55
Net cash inflow from returns on investments and servicing of finance		37	55
Capital expenditure			
Purchase of tangible fixed assets		(2,261)	(2,033)
Sale of tangible fixed assets		12	-
Net cash outflow from capital expenditure		(2,249)	(2,033)
(Decrease)/Increase in cash in the year	21	(953)	(941)

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. This includes compliance with the Charity Statement of Recommended Practice, the Charities Act 2011 and the Companies Act 2006. A summary of the more important accounting policies, which have been applied consistently except where stated, is set out below.

Basis of accounting

The financial statements are prepared on the going concern basis and in accordance with the historical cost convention.

Basis of consolidation

The consolidated statement of financial activities, income and expenditure account, cash flow statement and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2013 on a line by line basis. Intra-group sales and surpluses are eliminated fully on consolidation. Uniform accounting policies are applied across the whole Group.

Tangible fixed assets

Property and equipment is stated at cost less accumulated depreciation and impairment charges.

Freehold land and buildings

Freehold land and buildings are capitalised at cost. Freehold land is not depreciated. Freehold buildings are depreciated on a straight line basis over their estimated useful economic life of 50 years commencing with the completion of the building or its acquisition.

Housing properties

Housing properties leased to the Company are not capitalised. The annual rentals payable under these leases are charged to the income and expenditure account on a straight line basis over the lease term.

Capital improvement programme

Subsequent capital expenditure incurred by the Company on refurbishing or improving the leasehold properties is capitalised and treated as leasehold improvements. Depreciation is provided on a straight line basis over the expected economic life of the improvements, commencing with the period in which the improvement or refurbishment project is concluded. An average economic life of 25 years is used as a basis.

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

1 Principal accounting policies (continued)

Other tangible fixed assets

Items costing over £1,500 each are capitalised. The cost of fixed assets comprises their purchase cost, together with any incidental costs of acquisition

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

	%
Motor vehicles	25
Equipment	20
Fixtures and fittings	25 - 33

Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term

Investments

Fixed asset investments include investment in subsidiaries which are stated at cost less any impairment

Current asset investments are shown at cost

Investment income

Investment income comprises income from current asset investments. Interest income is accounted for on a receivable basis and is accrued up to the balance sheet date

Income from provision of care services

Income, which excludes value added tax, represents revenue from residents and local authorities for care services. This revenue is recognised as the services are provided

Legacies

Income from legacies is accounted for in the period in which the Company is entitled to receipt and when the revenue is certain

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

1 Principal accounting policies (continued)

Resources expended

Expenditure in relation to charitable activities is included on an accruals basis, inclusive of any value added tax which cannot be recovered

Support costs

Support costs include all expenditure not directly attributable to the day to day operation of providing care services and relate to services provided by head office

Governance costs

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Group and include audit fees and costs linked to the strategic management of the Group

Bad debts

Specific provision is made for those debts which are not considered recoverable

Government grants

Revenue grants are credited to the statement of financial activities Capital grants are credited to deferred grants and amortised in the statement of financial activities over the estimated lives of the qualifying assets

Pension costs

The Company participates in a defined benefit pension scheme, operated by WCC, which is contracted out of the State Second Pension The Fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary

Pension charges are accounted for under FRS17, with the annually calculated notional surplus or deficit on the funding of the scheme shown in the accounts as a Pension Fund Liability, which is deducted from Unrestricted Funds in the balance sheet. The trustees believe that the scheme currently meets statutory minimum funding requirements. The trustees note that the calculated notional deficit or surplus calculated under FRS17 can vary greatly from year to year depending on the assumptions made at the valuation date, but with normally little or no effect on short term cash flows

The Company also operates its own Stakeholder Pension Scheme and makes contributions based on length of service The cost of contributions is charged to the statement of financial activities as incurred.

Notes to the Financial Statements For the year ended 31 March 2013 (continued)

1 Principal accounting policies (continued)

Funds structure

Unrestricted designated fund

Fund set aside out of unrestricted funds by the trustees to reflect the financial realignment with WCC related to capital expenditure in 2008. Income is released back to unrestricted funds as the capital investment in leasehold improvements is depreciated.

Unrestricted other charitable fund

Fund available to the Charity to reinvest in the services it provides.

Restricted fund

Unexpended balances relating to legacies from former residents to be used for the sole benefit of the home receiving the bequest.

Going concern

From a review of the Company's Business Plan and an assessment of future cash flows, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

2 Income from provision of care services

The income of the Group has arisen entirely within the United Kingdom and includes a total of £6,697,000 (2012 £6,803,000) which is received from WCC under a contract for the provision of care services. The income of the Company has arisen entirely from charitable activities. The consolidated statement of financial activities includes the income of one active subsidiary undertaking, which is a registered charity.

3 Employee information

The members of the Management Committee, who are directors of the Company, receive no remuneration for their services to the Company but are reimbursed for incidental expenses associated with attendance at committee and other meetings. The total of expenses in the year of less than £500 (2012 less than £500) was reimbursed to 2 directors (2012 2).

The cost of indemnity insurance for the trustees was £3,000 (2012 £5,000).

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

3 Employee information (continued)

The cost of employing staff during the year was:

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Staff costs				
Wages and salaries	6,465	6,555	6,002	5,855
Social security costs	350	370	321	331
Other pension costs	122	126	122	126
	6,937	7,051	6,445	6,312

Staff costs include expenditure on agency staff of £48,000 (2012 £51,000).

The average monthly number of persons employed within the Group by business activity was

	2013	2012
	Number	Number
Residential care	522	513
Home care	44	65
Head office	10	10
	576	588

The following number of employees received remuneration (excluding pension contributions) falling within the following ranges:

	2013	2012
	Number	Number
£60,001 – £70,000	1	2
£70,001 – £80,000	1	-
£80,001 – £90,000	1	1

The number of staff receiving more than £60,000 to whom retirement benefits are accruing under a defined benefit scheme was 1 (2012: 2). Two of the above (2012: 1) were members of a money purchase scheme for which the contributions were £13,000 (2012 £8,000).

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

4 Investment income

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Interest receivable on short term deposits and other bank balances	30	53	30	53

5 Interest payable

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Net interest cost on pension assets/liabilities	90	72	90	72

6 Support costs

Care operating expenses include the following support costs

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
General office and finance staff	587	591	586	591
Premises	91	77	93	74
Training	55	75	55	75
Information and communications technology	34	31	31	25
Banking and finance charges	8	5	9	5
Legal and professional	126	43	89	44
	901	822	863	814

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

7 Governance costs

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
General and finance office	14	15	14	15
External audit	17	17	16	16
Accountancy professional services	4	-	4	-
Board expenses	1	1	1	1
	<u>36</u>	<u>33</u>	<u>35</u>	<u>32</u>

8 Net incoming resources for the year

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Net incoming resources for the year is stated after crediting:				
Management services charge to subsidiary undertaking	-	-	150	-
Government grants	2	2	2	2
And after charging:				
Depreciation charge for the year				
Tangible owned fixed assets	587	470	585	467
Auditor's remuneration for				
Audit	17	17	16	16
Operating lease rentals				
Land and buildings	292	295	284	284
Other leases	3	3	3	3
Expenditure on furnishings and equipment in refurbished premises	92	79	92	79

The management service charge covers the cost of senior management time spent on the strategic development and operational management of the service together with its financial administration

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

9 Tangible assets

Group

	Freehold land and buildings £000	Leasehold improvements £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 1 April 2012	2,235	10,719	46	439	13,439
Additions	2,262	210	-	19	2,491
Eliminated in respect of disposals	-	-	(23)	(13)	(36)
At 31 March 2013	4,497	10,929	23	445	15,894
Accumulated Depreciation					
At 1 April 2012	-	6,334	46	395	6,775
Charge for the year	-	565	-	22	587
Eliminated in respect of disposals	-	-	(23)	(11)	(34)
At 31 March 2013	-	6,899	23	406	7,328
Net book value					
At 31 March 2013	4,497	4,030	-	39	8,566
At 31 March 2012	2,235	4,385	-	44	6,644

Company

	Freehold land and buildings £000	Leasehold improvements £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 1 April 2012	2,235	10,719	46	426	13,426
Additions	2,262	210	-	19	2,491
Eliminated in respect of disposals	-	-	(23)	-	(23)
At 31 March 2013	4,497	10,929	23	445	15,894
Accumulated Depreciation					
At 1 April 2012	-	6,334	46	385	6,765
Charge for the year	-	565	-	23	586
Eliminated in respect of disposals	-	-	(23)	-	(23)
At 31 March 2013	-	6,899	23	406	7,328
Net book value					
At 31 March 2013	4,497	4,030	-	39	8,566
At 31 March 2012	2,235	4,385	-	41	6,661

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

9 Tangible assets (continued)

The recovery of the Group's investment in its leasehold properties is contingent on the extension or replacement of the existing leases with WCC which expire in March 2013. Directors are confident that the existing leases will be renewed.

The freehold land and buildings relate entirely to the Rugby specialist dementia care home development. Work on the development started in September 2011 and is due to be completed in August 2013.

The net book value at 31 March 2013 represents fixed assets used entirely for direct charitable purposes. The Company has a short leasehold interest, including fixtures and fittings, in eleven residential care properties previously under the control of WCC. These properties are held under four year leases on full repairing and insuring terms, other than for capital repairs exceeding £10,000 where the cost is shared with WCC. The leases contain restriction of use clauses to ensure that the contribution of the homes to the welfare of residents is maintained.

During the year the Company motor vehicle used by the Director of Finance was sold to him at market value for £8,000.

10 Fixed asset investments

WCS is a member of the following group of companies which are all limited by guarantee and do not have a share capital. All companies are registered in England and Wales.

Company	Principal activity
Warwickshire Fuel and Power Company Limited	Dormant
Warwickshire Home Care Services Limited	Provision of home care services
Warwickshire Residential Care Services Limited	Dormant

WCS exercises effective control over each company. The liability of WCS as a member of these companies is limited to £1 each.

Financial information for Warwickshire Home Care Services Limited, the only subsidiary with material external transactions, is shown below. The business was sold to Choice Healthcare (Warwickshire) Limited on 23 November 2012.

	2013 £000	2012 £000
Incoming resources	535	892
Charitable expenditure	(752)	(901)
Net outgoing resources for year	(217)	(9)
Fund balances at 31 March comprise		
Assets	10	459
Liabilities	-	(232)
Fund balances carried forward at 31 March	10	227

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

11 Debtors

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	782	802	782	672
Prepayments and accrued income	165	64	165	51
	<u>947</u>	<u>866</u>	<u>947</u>	<u>723</u>

12 Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Payments received on account	627	637	627	460
Trade creditors	592	401	592	397
Amounts owed to subsidiary undertakings	-	-	14	317
Other taxation and social security	81	91	81	80
Other creditors	21	22	21	22
Accruals and deferred income	519	555	519	515
	<u>1,840</u>	<u>1,706</u>	<u>1,854</u>	<u>1,791</u>

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Accruals and deferred income	<u>7</u>	<u>8</u>	<u>7</u>	<u>8</u>

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

14 Employee benefit obligations

Defined benefit pension scheme

The Group participates in the Warwickshire County Council Pension Fund providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Group. The assets and liabilities attributable to WCS have been separately identified from the overall totals within the Pension Fund and the result reflected within the statement of financial activities and the balance sheet.

The total pension charge for the Group for the defined benefit pension scheme in the current year, against which employer contributions paid over to the Fund in the year amounted to £186,000 (2012 £204,000), together with the actuarial gains and losses on the Fund for the year, is recognised in the Statement of Financial Activities in accordance with FRS17.

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit Method. The latest actuarial valuation of the scheme was at 31 March 2010. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and rates of increase in salaries and pensions. For the purposes of the actuarial valuation it was assumed that the average investment return would be 6.75% per annum, that salary increases would be 5.0% per annum and that pensions would increase at the rate of 3.0%.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £1,099m and the actuarial value of the assets was sufficient to cover 83% of the benefits which had accrued to members, after allowing for expected future increases in earnings. Following the latest actuarial valuation of the scheme the contributions of the Group have been increased from a rate of 29.3% in 2010/11 to 32.5% in 2011/12 and in 2012/13 to 35.8%. Employer contributions will rise further in 2013/14 to 39%. The contributions for employees vary from 5.5% to 7.5%.

The next actuarial valuation will be for the three year period ending 31 March 2013. The independent actuarial valuation of the scheme at the balance sheet date, undertaken by Hymans Robertson, has been based on an approximate update basis. This basis allows for the main financial changes and the key assumptions were:

	2013	2012
Rate of RPI inflation	3.6%	3.3%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions (CPI inflation)	2.8%	2.5%
Discount rate	4.5%	4.8%

The discount rates in the table above are calculated as a median credit spread on AA rated corporate bonds.

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

14 Employee benefit obligations (continued)

The underlying mortality assumptions of the scheme are the same at the beginning and end of the period and use SAPS year of birth tables with member category specific adjustments. Improvements are based on the CMI 2009 model methodology with a 1% per annum long term trend. Using these assumptions a male (female) aged 65 lives for a further 21.9 (23.6) years, whilst a male (female) aged 45 is expected to live a further 22.8 (25.9) years after retiring at 65.

The amounts recognised in the Statement of Financial Activities comprised:

	2013 £000	2012 £000
Operating credit/(charge)		
Current service cost	(106)	(116)
Total operating credit/(charge)	<u>(106)</u>	<u>(116)</u>
Other finance cost		
Expected return on pension fund assets	283	334
Interest on pension fund liabilities	(373)	(406)
Net interest	<u>(90)</u>	<u>(72)</u>
Total credit/(charge) to expenditure in the Statement of Financial Activities	<u><u>(196)</u></u>	<u><u>(188)</u></u>

The amounts recognised in respect of funded and unfunded benefit obligations in the balance sheet at 31 March are

	2013 £000	2012 £000
Present value of funded and unfunded obligations	(8,956)	(7,860)
Fair value of plan assets	5,848	5,190
Net obligation recognised in the balance sheet	<u><u>(3,108)</u></u>	<u><u>(2,670)</u></u>

Unfunded benefit obligations included in the above were £7,000 (2012 £6,000). The contributions expected to be paid to the scheme by the Group during 2013/14 are £206,000.

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

14 Employee benefit obligations (continued)

Movement in defined benefit scheme obligations (funded and unfunded) during the year

	2013 £000	2012 £000
Defined benefit obligation at 1 April	(7,860)	(7,456)
Current service cost	(106)	(116)
Interest on pension liabilities	(373)	(406)
Member contributions	(34)	(41)
Actuarial gains/(losses) on liabilities	(907)	(164)
Benefits/transfers paid	324	323
Defined benefit obligation at 31 March	(8,956)	(7,860)

Movement in fair value of plan assets during the year:

	2013 £000	2012 £000
Fair value of plan assets at 1 April	5,190	5,210
Expected return on plan assets	283	334
Actuarial gains/(losses) on plan assets	479	(276)
Employer contributions	186	204
Member contributions	34	41
Benefits/transfers paid	(324)	(323)
Fair value of plan assets at 31 March	5,848	5,190

Net actuarial loss for the year.

	2013 £000	2012 £000
Actuarial losses on liabilities	(907)	(164)
Actuarial gains/(losses) on plan assets	479	(276)
Net actuarial loss for the year	(428)	(440)

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

14 Employee benefit obligations (continued)

The prior year figures for the fair value of plan assets have not been re-stated to reflect the change in assumption on the valuation of assets from mid-price to bid price included in the amendment to FRS 17.

The fair value of the assets in the scheme and the expected rates of return were

	At 31 March 2013		At 31 March 2012	
	Expected Rate of Return %	Value £000	Expected Rate of Return %	Value £ 000
Equities	5.8%	4,269	6.3%	3,685
Bonds	3.5%	1,053	3.9%	986
Property	3.9%	526	4.4%	519
Cash/Liquidity	3.0%	-	3.5%	-
Total		5,848		5,190

The expected rate of return on plan assets is based on market expectations at the beginning of the period and 5,000 simulations of the Hymans Robertson Asset Model, calibrated using market data at a recent date. The only exception to the use of this model is in deriving the expected return on bond assets which has been based on yields applicable at the accounting date on suitable bond indices.

The actual return on plan assets was £763,000 (2012 - £137,000)

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

14 Employee benefit obligations (continued)

History of experience gains and losses

	2013	2012	2011	2010	2009
Experience adjustments arising on scheme assets					
Amount - £000	479	(276)	241	987	(1,178)
Percentage of scheme assets	8.2%	(5.3%)	4.6%	21.0%	(33.2%)
Experience gains and losses on scheme liabilities					
Amount - £000	(907)	(164)	621	-	-
Percentage of scheme liabilities	(10.1%)	(2.1%)	8.3%	0.0%	0.0%
Present value of scheme liabilities	(8,956)	(7,860)	(7,456)	(8,186)	(6,175)
Fair value of scheme assets	5,848	5,190	5,210	4,698	3,548
Deficit	(3,108)	(2,670)	(2,246)	(3,488)	(2,627)

Defined contribution scheme

The Group participates in a Stakeholder Pension Scheme operated by Aviva which meets the government's requirements for access to pension by lower paid employees. Group contributions range from nil to 6% dependent on length of service and the level of contribution made by employees, which is flexible and governed by the Stakeholder Pension Scheme rules.

The total pension cost for the Group for the defined contribution scheme in the current year was £2,000 (2012: £2,000). The outstanding contributions at the end of the year were £327 (2012: £171)

15 Deferred grants

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 April	10	12	10	12
Transfer to statement of financial activities	(2)	(2)	(2)	(2)
At 31 March	8	10	8	10

Deferred grants are included within accruals and deferred income.

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

16 Restricted funds

The income funds of the charity include restricted funds (represented by net current assets) comprising the following unexpended balances relating to donations received for the benefit of certain homes. The legacies cannot be used for any other purpose and their net value at the end of the financial year was represented by a cash balance of over £5,000

	Balance 1 April 2012 £000	Group and company Movement in funds		Balance 31 March 2013 £000
		Incoming resources £000	Expenditure £000	
Donations	5	-	-	5

17 Designated fund

The unrestricted funds of the charity include the following designated fund which has been set aside by the trustees to reflect the financial realignment with WCC related to capital expenditure in 2008. Income is released back to unrestricted funds as the capital investment in land and buildings is depreciated.

	Balance 1 April 2012 £000	Group and company Movement in funds		Balance 31 March 2013 £000
		New Designation £000	Utilised/ Realised £000	
Capital replacement fund	1,528	-	(565)	963

18 Other charitable fund

The other charitable funds of the charity are represented by the following balances and movements in the year related to operational surpluses and transfers from the designated fund

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 April	6,831	5,419	6,600	5,179
Net incoming resources	898	967	1,115	976
Transfer from designated funds	565	446	565	446
At 31 March	8,294	6,832	8,280	6,601

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

19 Reconciliation of changes in resources to net cash inflow from continuing operating activities

	2013 £000	2012 £000
Net incoming resources	459	548
Difference between pension charge and cash contributions	438	424
Depreciation on tangible fixed assets	587	470
Interest receivable	(37)	(55)
Surplus on disposal of tangible fixed assets	(10)	-
Decreases/(increase) in trade debtors	20	(375)
(Increase)/decrease in prepayments and other debtors	(101)	3
Decrease in trade creditors	(39)	(4)
(Decease)/increase in accruals and other creditors	(58)	26
Net cash inflow from continuing operating activities	1,259	1,037

20 Reconciliation of net cash flow to movement in net funds

	2013 £000	2012 £000
Decrease in cash in the year		
Cash at bank and in hand	699	176
Term deposits	(1,652)	(1,117)
Change in net funds resulting from cash flows	(953)	(941)
Movement in net funds in the year	(953)	(941)
Net funds at 1 April	2,549	3,490
Net funds at 31 March	1,596	2,549

21 Analysis of changes in net funds

	At 1 April 2012 £000	Cash Flows £000	At 31 March 2013 £000
Cash at bank and in hand	215	699	914
Term deposits	2,334	(1,652)	682
	2,549	(953)	1,596

Notes to the Financial Statements

For the year ended 31 March 2013 (continued)

22 Capital commitments

At 31 March 2013 the Group and Company had capital commitments of £2,393,000 (2012. £3,656,000) related to the development of a 75 bed specialist residential dementia care home in Rugby. Work on the development started in September 2011 and is due to be completed in August 2013

On 16 May 2003 the Company entered into a debenture with AIB Group (UK) plc to secure overdraft facilities by way of a fixed charge over all book and other debts, balances standing to the credit of any account held by the Company with AIB and other bankers, stocks and shares and plant and equipment. There is a floating charge over its undertaking and all its other property, assets and rights

23 Financial commitments

At 31 March 2013 the Group and Company had annual commitments under non-cancellable operating leases as follows.

	2013		2012	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Expiring within one year	191	2	203	-
Expiring between two and five years inclusive	89	-	89	3
	<u>280</u>	<u>2</u>	<u>292</u>	<u>3</u>
Company				
Expiring within one year	191	2	196	-
Expiring between two and five years inclusive	89	-	89	3
	<u>280</u>	<u>2</u>	<u>285</u>	<u>3</u>

24 Contingent liabilities

At 31 March 2013 the Group and Company had no contingent liabilities (2012 £nil).

25 Related party transactions

The company has taken advantage of the FRS 8 exemption not to disclose transactions with group entities.

26 Subsequent Events

On 22 May 2013 the Company acquired the entire share capital of Common Lane Developments Limited, a company set up to develop a site it owns in Kenilworth which has outline planning permission for a 72 bed specialist dementia care home