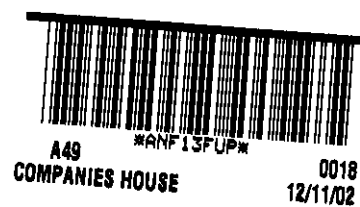


MHA CARE GROUP
REPORT AND ACCOUNTS

31 March 2002

Charity Registered No. 1083994
Company Registered No. 4038631
Registered Social Landlord No. LH4300



BAKER TILLY
Chartered Accountants
Birmingham

MHA CARE GROUP

OFFICERS AND ADVISORS

31 March 2002

President	The Right Hon The Lord Archer of Sandwell QC
Patrons	His Grace The Duke of Devonshire KG MC PC Baroness Kathleen Richardson of Calow, OBE Pam Rhodes Jack J L Jones CH, MBE Baroness Emma Nicholson of Winterbourne MEP

BOARD

Chair	Brian Coldwell (from July 2002) Susan Howdle (until July 2002)
Other Board Members	Don Brand (until September 2002) Olwen Baker Rev David Deeks Stephen Duckworth (from July 2002) Terry Gill (from September 2001) Trevor Peel (from September 2002) Rowena Plant (from September 2002) Noel Rajaratnam Roy Higginson Rev Peter Mortlock Shelagh Morgan Graham Smith (from April 2001) Tom White (until September 2002)

SENIOR MANAGEMENT TEAM

Chief Executive	Roger Davies (from November 2001) Barbara Leighton (until September 2001)
Business Support Director	Paul Milner (from January 2002) Roger Davies (until October 2001)
Fundraising & Communications Director	Rachel Rees (from March 2002) Malcolm Davies (until July 2001)
Human Resources Director	Richard Nicholls
Regional Director (North & West)	Kathleen Pitt
Regional Director (North & East)	Jane Barker
Regional Director (South & West)	John Jevons
Regional Director (South & East)	Steve Reynolds
Senior Chaplain	Rev Dr Keith Albans (from September 2001) Rev Albert Jewell (until August 2001)

MHA CARE GROUP
OFFICERS AND ADVISORS

31 March 2002

REGISTERED OFFICE

MHA Care Group
Epworth House
Stuart Street
DERBY
DE1 2EQ

Tel: (01332) 296200
Fax: (01332) 296925
Email: enquiries@mha.org.uk
Website: www.mha.org.uk

CHARITY REGISTRATION NUMBER

1083994

REGISTERED SOCIAL LANDLORD NUMBER

LH4300

**COMPANY REGISTERED IN ENGLAND
AND WALES NUMBER**

4038631

PROFESSIONAL ADVISORS

Solicitors

Cartwright Cunningham Haselgrove & Co
13-13a The Broadway
Woodford Green
Essex
IG8 0HL

Devonshires
Salisbury House
London Wall
London
EC2M 5QY

Registered Auditors

Baker Tilly
City Plaza
Temple Row
Birmingham
B2 5AF

Bankers

HSBC
70 Pall Mall
London
SW1Y 5EZ

MHA CARE GROUP

ACCOUNTS

31 March 2002

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MHA CARE GROUP
BOARD OF DIRECTORS' REPORT

31 March 2002

Status of Group

MHA Care Group is a company limited by guarantee, a registered Charity and a Registered Social Landlord. It was first registered with Companies House No. 4038631 on 18 July 2000, with the Charity Commission on 4 December 2000, Registered Charity No 1083994, and with the Housing Corporation on 5 January 2001, number LH4300. MHA Care Group is governed by Memorandum and Articles of Association.

Objects

The Company's objects shall be for the relief of elderly people and other adults in need, particularly (but not limited to) those with mental illness or physical/learning disabilities by providing

- i) care and support services; and/or
- ii) accommodation: and/or
- iii) any other provision (whether or not similar to the foregoing)

which may facilitate an improved quality of life in the United Kingdom or elsewhere

Election and Appointment of Board Members

The Board consists of 12 Board Members, 4 of whom are Church appointments, 4 of whom are representatives of the group's subsidiary Boards, and 4 of whom are Independent nominations.

The Church appointees are formally appointed by the Conference of the Methodist Church. The representatives of the Group's subsidiary Boards are appointed by the subsidiary Boards. The independent nominees are appointed by the Board at its annual general meeting. Unless co-opted, members of the Board must already be shareholders of the Association. Members of the public become shareholders at the discretion of the Board. The recruitment of new board members is through a process of advertisement, application and interview.

Board members may serve for a maximum period of 6 years, subject to re-election during that period.

MHA CARE GROUP
BOARD OF DIRECTORS' REPORT

31 March 2002

BOARD

Chair

Susan Howdle (2000-2002)
Brian Coldwell (2002)

Other Board Members

Don Brand (2000-2002)
Olwen Baker (2000)
Rev David Deeks (2000)
Stephen Duckworth (2002)
Terry Gill (2001)
Trevor Peel (2002)
Rowena Plant (2002)
Noel Rajaratnam (2000)
Roy Higginson (2000)
Rev Peter Mortlock (2000)
Shelagh Morgan (2000)
Graham Smith (2001)
Tom White (2000-2002)

Audit Committee

Brian Coldwell
Terry Gill

MHA Care Group Board Succession Committee

Brian Coldwell
Shelagh Morgan

Remuneration Committee

Brian Coldwell
Rev Peter Mortlock
Olwen Baker

Development Committee

Roy Higginson
Olwen Baker
Graham Smith

Pension Advisory Committee

Stephen Duckworth

MHA CARE GROUP
BOARD OF DIRECTORS' REPORT

31 March 2002
(continued)

Corporate Management Team

Chief Executive	Roger Davies (B1959: J2001) Barbara Leighton (B1946; J1997-2001)
Business Support Director	Paul Milner (B1964; J2002) Roger Davies (B1959: J1999-2001)
Fundraising & Communications Director	Rachei Rees (B1965: J2002) Malcolm Davies (B1952; J1999-2001)
Human Resources Director	Richard Nicholls (B1953: J1998)
Regional Director (North & East)	Jane Barker (B1961: J1999)
Regional Director (North & West)	Kathleen Pitt (B1955: J1999)
Regional Director (South & East)	Steve Reynolds (B1951: J1999)
Regional Director (South & West)	John Jevons (B1947: J2000)
Senior Chaplain	Rev Dr Keith Albans (B: 1956; J2001) Rev Albert Jewell (B: 1936: J1994-2001)

Note: (B = year of birth: J = year of taking up post)

Review of Activities

Group Structure

MHA Care Group was established on 18 July 2000 in order to become the parent entity in a new Group structure for Methodist Homes.

The two existing organisations, Methodist Homes for the Aged and Methodist Homes Housing Association, elected to become Group members of MHA Care Group but needed to do so via different routes. Methodist Homes Housing Association changed its Rules to become a subsidiary; this was confirmed by the Housing Corporation and registered by the Registrar of Friendly Societies on 21 March 2001. This is the effective date for the Housing Association becoming part of the Group. Methodist Homes for the Aged has operated for over fifty years as a charitable Trust. The Trust decided it would be beneficial to become a charitable company limited by guarantee and such a company was formed on 28 July 2000. The new charitable company (company number 4043124; registered charity number 1083995) is a subsidiary to MHA Care Group but did not trade during the financial period to 31 March 2001. This company received by Deed of Transfer the substantive business and assets of the Trust on 1 April 2001 and for the year ended 31 March 2002 trading is included in MHA Care Group.

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2002

(continued)

The establishment of the Group structure, headed by MHA Care Group, was prompted by two prime objectives: firstly, to clarify the governance arrangements of the Charity and Housing Association referred to above, and secondly, to provide a robust platform for future growth. As well as internally generated growth, the Group is to be promoted to other housing and care providers with similar values as a potential partner. The intention is that MHA Care Group would be able to provide strategic and operational support, enabling others to provide sustained improvement in services for the benefit of their own customers.

Methodist Homes for the Aged

During the year **care home** services expanded with the addition of a 64 bedded nursing and residential home in Rushden Park, Rushden, Northamptonshire. The Home provides purpose built accommodation with single en-suite rooms throughout. The inclusion of 31 nursing beds forms part of the strategy to seek to provide care to more dependent older people. The remaining 33 beds will further expand the focus on providing specialist dementia care, with this new facility opening after the year end.

This year also saw the successful completion in November 2001 of negotiations to transfer the management of residential homes in March, Sawston and Bottisham from Cambridgeshire County Council to Methodist Homes for the Aged. A 10 year block contract was also awarded by the Council to continue to provide at least 80% of available rooms for residential care and also a 3 year daycare contract covering all the Homes. As part of this transfer, Methodist Homes for the Aged now provide services to a further 110 residents with the help of 120 new staff members. The Homes are leased from Hereward Housing Association with whom Methodist Homes for the Aged have entered into a Partnership Working Agreement. This agreement will enable the Homes to be fully refurbished and a number of new rooms added to extend and improve further the Homes and services available to local communities.

In order to support our strategic plan to build on our position as a quality care home provider loan funding of up to £21m has been obtained. This will enable additional residential services to be provided in meeting the needs of people who are likely to have more severe health problems than today. It is expected that these services will focus particularly on nursing and specialist dementia care in order to reflect future demand for beds and a balanced range of care solutions.

The pressures on the **sheltered housing** scheme in Lancaster had resulted in a decision to transfer the scheme to a locally based housing association. This transfer and the sale of the scheme were successfully completed during the year and tenants and staff can now look forward to a brighter future.

As from 1 April 2002 all the sheltered housing schemes consisting of 179 flats are being managed by Methodist Homes Housing Association a fellow subsidiary within MHA Care Group. This will enable Methodist Homes for the Aged to concentrate on its core focus of care rather than housing management and it will still retain income and ownership of its sheltered housing stock.

Live at Home schemes now involve more service users than the residential and housing schemes combined. Offering one-to-one befriending and a range of social activities, each scheme provides services to meet the specific needs of its local community. Totally reliant on the help and support of volunteers, these community-based services are designed to support older people in their own homes. Growth in these existing service areas will be self-financing in line with our strategic plan, thus enabling our charitable resources to be used for improving our existing services, the development of new services and campaigning on behalf of older people.

The year saw the successful completion of the first project to develop apartments for resale in Penarth. The development of 11 flats during the year has resulted in 5 sales by the year end. A number of further apartments for resale opportunities are being considered.

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2002

(continued)

In January 2002 Methodist Homes for the Aged were invited to 10 Downing Street to attend a reception hosted by Cherie Booth QC in recognition of the work of the Charity. It was pleasing to be able to invite some service users and staff members as well as external customers and the day was enjoyed by all those attending.

Methodist Homes Housing Association

During the year the Housing Association successfully bid for, and has been granted, an allocation of £2.7m of Housing Corporation funding from the 2002/03 Approved Development Programme. With a start on site in September 2002 the allocation will contribute toward the building of an extra care sheltered housing scheme in Huddersfield. This will provide 45 1 and 2 bedroom flats and is being developed in partnership with Kirklees Council and Kirklees Black Elders. Additional fundraising is also proposed to generate further facilities for the scheme.

There has been a continuing emphasis on improving the Key Performance Indicators of the Association throughout the year. A Comprehensive Service Review was undertaken on the management of voids and the results of this work have enabled substantial improvements to be made.

In March 2002 the Housing Association celebrated its 25 year anniversary with a reception at the House of Lords hosted by Lord Archer. The event was enjoyed by all those attending including some tenants and Scheme Managers as well as partners from the Housing Corporation and Local Authorities.

Financial Review

MHA Care Group

The surplus of the Group for the year ended 31 March 2002 shown in the Income and Expenditure account is £1,227,000 (2001 £152,000).

The Balance Sheet shows fixed assets of £74.5m paid for with the assistance of £17.4m in capital grants from the Housing Corporation and Local Authorities, and £5m in charitable grants from Methodist Homes for the Aged.

As of 1 April 2001, staff employed in central and regional offices, previously jointly employed by Methodist Homes Housing Association and Methodist Homes for the Aged, were transferred into the employment of MHA Care Group. Costs incurred within MHA Care Group are charged out to the two subsidiaries.

The average number of days between receipt and payment of purchase invoices is 21.

Methodist Homes for the Aged

The Statement of Financial Activities of the subsidiary company shows total incoming resources of £31.4m, a 14% increase on the previous financial year. Incoming resources from services to elderly people have grown by 12%, reflecting continued expansion with the acquisition of Rushden Park in September 2001 and the operation of three contracted Care homes in Cambridge from November 2001. Additional income has been generated by the sale of apartments for resale.

Charitable income for the year was £5.1m. Methodist Homes for the Aged is very grateful to all those who have so generously supported the work. This continued support enables Methodist Homes for the Aged to plan further developments to existing services and to plan new initiatives to provide services to a wider group of older people including those requiring financial support.

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2002

(continued)

The greater part of charitable income has been used to meet the capital costs of carrying out Methodist Homes for the Aged's charitable objectives by providing new accommodation and improvements to existing buildings. Capital expenditure is shown in the Balance Sheet and related notes.

Charitable expenditure includes the loss on disposal of the sheltered housing scheme in Lancaster of £0.5m.

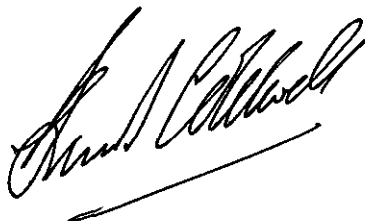
The net movement of funds of £0.9m is added to the total balances transferred of £59m.

Methodist Homes Housing Association

The surplus for the year ended 31 March 2002 shown in the Income and Expenditure account of the subsidiary is £343,000 (2001 £152,000). The improved performance was assisted by reduced rent loss due to voids which fell to 1.4% of rent (2001 4.2%). The Balance Sheet shows fixed assets of £27.2m paid for with the assistance of £17.4m in capital grants from the Housing Corporation and Local Authorities and £5m in charitable grants from Methodist Homes for the Aged.

Governance

Building upon the Association's previous approach to wider business risk, the Board of Management has considered the compliance and additional reporting of internal control assurance ahead of the forthcoming requirement as determined by Housing Corporation Circular R2-25/01.



On behalf of the Board

BRIAN COLDWELL
Chair

Epworth House
Stuart Street
DERBY
DE1 2EQ

11 September 2002

MHA CARE GROUP

STATEMENT ON CORPORATE GOVERNANCE

31 March 2002

The Group is governed by the Board, which is elected in accordance with the Articles of Association and meets at least twice every year.

The Board has established the following committees:

- The Audit Committee advises the Board on all matters relating to the annual financial statements, external audit and internal financial control.
- The Board Succession Committee ensures that a full complement of Board Members with a wide and relevant range of skills and experience serve on the Board.
- The Development Committee acts, under delegated authority from the Board, to approve expenditure on new developments and negotiated contracts.
- The Remuneration Committee determines, on behalf of the Board, the remuneration of the senior management staff.
- The Pensions Advisory Committee, which includes representatives of management and staff, advises the Boards on the operation of the pension schemes.

CODE OF GOVERNANCE: In January 2000, the National Housing Federation (NHF) adopted a revised Code of Governance for the guidance of NHF members, so that they could continue to follow the highest standards of governance, accountability and probity, while responding to an environment of change and risk.

The Group complies with the NHF Code of Governance, subject to the following:

- As an organisation concerned with older people, the Association does not consider it appropriate to apply an age limit for Board members.

MHA CARE GROUP

STATEMENT ON FINANCIAL CONTROLS

31 March 2002

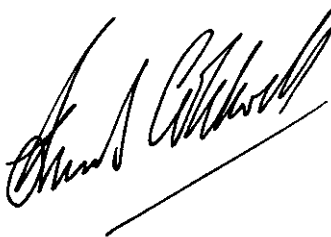
STATEMENT OF FINANCIAL CONTROLS

The Board is responsible for the Group's systems for financial control. Such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board 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 Three Year 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 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 2002 and until 11 September 2002. 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.



BRIAN COLDWELL
Chair

11 September 2002

MHA CARE GROUP

Report of the auditors to MHA Care Group on Internal Financial Control

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 7 to 8 on the Association's compliance with the Housing Circular R2-18/96 Internal Financial Control and financial reporting ("the Circular"). The objective of our review is to enable us to conclude whether the board has provided the disclosures required by the Circular and whether the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

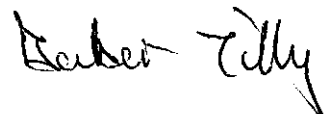
Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of the Group's system of internal financial control.

Opinion

With respect to the Board's statement on internal financial controls on pages 7 to 8 in our opinion the Board has provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit of the Association and Group's accounts for the year ended 31 March 2002.

Birmingham
11 September 2002



BAKER TILLY
Registered Auditors
Chartered Accountants

MHA CARE GROUP

STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 March 2002

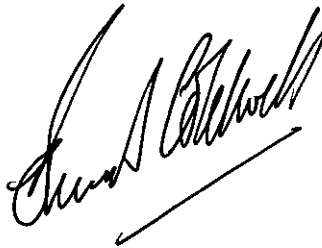
We are required under Companies Act and Housing Association legislation to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group at the end of the financial year and of the income and expenditure of the Group for the year ended on that date.

In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards and statements of recommended practice have been followed, and give details of any departures; and
- prepare the financial statements on a going concern basis unless in our view the Group will be unable to continue in operation.

We are also responsible for:

- keeping proper accounting records;
- maintaining a satisfactory system of control over the accounting records and transactions;
- safeguarding the Group's assets;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.



On behalf of the Board

BRIAN COLDWELL
Chair

11 September 2002

MHA CARE GROUP

AUDITORS' REPORT

Independent auditors' report to the members of MHA Care Group and Subsidiaries

We have audited the financial statements of MHA Care Group and subsidiaries for the year ended 31 March 2002 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Recognised Surpluses and Deficits the Consolidated Balance Sheet, the Parent Balance Sheet, the Consolidated Cash Flow Statement and the related notes.

Respective responsibilities of directors and auditors

The Directors responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Association and the group as at 31 March 2002 and of the surplus of the Association and the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Registered Social Landlords General Determination 2000.

BAKER TILLY
Registered Auditors
Chartered Accountants

Birmingham
11 September 2002

MHA CARE GROUP
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2002

	Note	2002 £'000	2001 £'000
Turnover	2	32,784	2,009
Less: Operating costs	2	(31,655)	(1,699)
		<hr/>	<hr/>
Operating surplus		1,129	310
Deficit on disposal of property assets		(266)	-
Investment income		536	55
Interest payable and similar charges	7	(172)	(213)
		<hr/>	<hr/>
Surplus for the year before transfer of funds		1,227	152
Transfer of funds	21	59,216	-
		<hr/>	<hr/>
Surplus recognised for the year		<u>60,443</u>	<u>152</u>

MHA CARE GROUP

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED SURPLUSES
AND DEFICITS**

For the year ended 31 March 2002

	2002 £'000	2001 £'000
Surplus for the year	1,227	152
Increase/(decrease) in market value of investments	20	(38)
	<hr/>	<hr/>
Total recognised surpluses for the year	1,247	114
	<hr/>	<hr/>

MHA CARE GROUP
COMPANY BALANCE SHEET

31 March 2002

	Notes	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Current assets					
Debtors	10	47		-	
Short term deposits		400		-	
Cash at bank		16		-	
		<u>463</u>		<u>-</u>	
Current liabilities					
Creditors: Amounts falling due within one year	12	(441)		-	
Net current assets			22		-
Total assets less current liabilities			<u>22</u>		<u>-</u>
Capital and reserves					
Revenue reserves	15	22		-	
		<u>22</u>		<u>-</u>	
			22		-
			<u>22</u>		<u>-</u>

The financial statements on pages 12 to 32 were approved by the Board on 11 September 2002 and signed on its behalf by

..... (Board Member)
 (Board Member)
 (Secretary)

MHA CARE GROUP
CONSOLIDATED BALANCE SHEET

31 March 2002

		Group 2002	Group 2001
	Notes	£'000	£'000
Fixed assets			
Tangible fixed assets			
Housing properties:			
Gross cost	8	74,507	26,915
Less: Social Housing Grants	8	(17,358)	(17,377)
Other Grants	8	(4,969)	(4,975)
Depreciation	8	(1,041)	(145)
		<u>51,139</u>	<u>4,418</u>
Other	8	4,646	-
		<u>55,785</u>	<u>4,418</u>
Investment properties	9	395	-
		<u>56,180</u>	<u>4,418</u>
Current assets			
Apartments for resale		541	-
Debtors	10	1,026	266
Investment securities	11	4,597	539
Short term deposits		5,347	871
Cash at bank		789	8
		<u>12,300</u>	<u>1,684</u>
Current liabilities			
Creditors: Amounts falling due within one year	12	(2,316)	(401)
		<u>9,984</u>	<u>1,283</u>
Net current assets			
		<u>66,164</u>	<u>5,701</u>
Total assets less current liabilities			
		<u>66,164</u>	<u>5,701</u>
Creditors: Amounts falling due after more than one year	13	1,635	1,635
Capital and reserves			
Endowment reserve	16	661	-
Revaluation reserve	16	234	214
Restricted reserve	16	13,461	352
Revenue reserves	16	50,173	3,500
		<u>64,529</u>	<u>4,066</u>
		<u>66,164</u>	<u>5,701</u>

The financial statements on pages 12 to 32 were approved by the Board on 11 September 2002 and signed on its behalf by

..... (Board Member)

..... (Board Member)

..... (Secretary)

MHA CARE GROUP
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
Net cash inflow from operating activities	20(a)	2,972	399
Returns on investments and servicing of finance			
Investment income		535	55
Interest paid		(153)	(188)
		<hr/>	<hr/>
		382	(133)
Capital expenditure			
Payments to acquire and construct housing properties		(5,237)	(166)
Purchase of other fixed assets		(85)	-
Purchase of apartments for resale		(881)	-
Social Housing and other grants received		-	1,357
Receipts on disposal of housing properties		125	-
Receipts from sale of investment properties		344	-
Receipts from sale of apartments for resale		437	-
		<hr/>	<hr/>
		(5,297)	1,191
Financing			
Loans repaid		(21)	(843)
		<hr/>	<hr/>
(Decrease)/Increase in cash	20(c)	<u>(1,964)</u>	<u>614</u>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

1 Principal accounting policies

Introduction and accounting basis

The financial statements of the Group are prepared under the historical cost accounting rules in accordance with the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000, applicable financial reporting standards and the Statement of Recommended Practice (SORP): Accounting by Registered Social Landlords.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertakings. Intra-group profits are eliminated on consolidation. Profits and losses of companies entering or leaving the group are included from the date of acquisition or up to the date of disposal. The net assets of subsidiaries acquired are included on the basis of their fair value at the date of acquisition being the date of which control passes.

Turnover

Turnover represents the Group's rental and service charge income and certain revenue grants. All income is recognised on a receivable basis.

Operating costs

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

Apportionment of management expenditure

With effect from 1 April 2001 staff employed in central and regional offices, previously jointly employed by Methodist Homes for the Aged and Methodist Homes Housing Association, were transferred to the employment of MHA Care Group. Costs are shared on the basis of the proportion of time spent on work associated with each organisation.

Costs which cannot be directly and wholly attributed to one organisation are shared pro rata to salary costs.

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

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

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

1 Principal accounting policies (continued)

Tangible fixed assets and depreciation

Housing properties including properties under construction are stated at cost less applicable Social Housing and other grants.

The cost of housing property includes applicable overhead expenditure and capitalised interest. Interest on loans deemed to be financing a development is capitalised up to the date of practical completion of a housing scheme.

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

Land is stated at valuation or cost and is not depreciated.

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

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

Social Housing Grants

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

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

Investments

Investments in securities are shown in the financial statements at their market value at the balance sheet date.

Revaluation Reserve

This reserve represents the unrealised surpluses arising from the revaluation of investments.

Restricted Reserve:

Rent Surplus Fund retention

The Group transfers sums to a major repairs reserve equal to the amount required by the statutory Rent Surplus Fund calculation in respect of properties developed prior to the arrangements introduced by the Housing Act 1988. Sums are withdrawn from this reserve to the extent that major repairs expenditure in respect of these properties is not funded by grants.

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2002
(continued)**

1 Principal accounting policies (continued)

Taxation

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

As of 1 April 2001 the Group has registered for VAT. Most of the Group's income (rents and grants) is exempt for VAT purposes, which significantly restricts the recovery of VAT on expenditure.

Pensions - defined benefit scheme

Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working life with the Group. The regular cost is attributed to the individual years using the projected unit method. Variations in cost which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the income and expenditure account are treated as either provisions or prepayments in the balance sheet.

Pensions - defined contribution scheme

Contributions are charged to the income and expenditure account as they become payable in accordance with the rules of the scheme.

Comparative figures

The comparative figures for MHA Care Group include the subsidiary results for Methodist Homes Housing Association only. The Group figures for the year ending 31 March 2002 also include the subsidiary company Methodist Homes for the Aged.

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2002
(continued)**

	Group 2002			Group 2001				
	Turnover	Cost of sales	Operating costs	Surplus / (deficit)	Turnover	Cost of sales	Operating costs	Surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income and expenditure from lettings								
Housing accommodation	3,139	-	2,455	684	2,009	-	1,699	310
Care Homes accommodation	23,559	-	24,298	(739)	-	-	-	-
Live at home	917	-	1,817	(900)	-	-	-	-
Other income and expenditure								
Other	27,615	-	28,570	(955)	2,009	-	1,699	310
	5,169	-	3,085	2,084	-	-	-	-
Sale of fixed assets	32,784	-	31,655	1,129	2,009	-	1,699	310
Sale of investment properties	125	657	-	(532)	-	-	-	-
Apartments for resale	344	175	-	169	-	-	-	-
	437	340	-	97	-	-	-	-
	33,690	1,172	31,655	863	2,009	-	1,699	310
Interest receivable				536				55
Interest payable				(172)				(213)
Surplus before transfer for the period				1,227				152

Average assured tenancy rent (including service charges eligible for Housing benefit) per week:
Percentage increase

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

3	Income and expenditure from lettings	Sheltered housing £'000	Supported housing £'000	Residential care homes £'000	Live at home £'000	2002 Total £'000	2001 Total £'000
	Income from lettings						
	Rents receivable net of identifiable service charges	1,870	111	-	-	1,981	1,220
	Service charges receivable	1,131	97	24,738	-	25,966	808
	- Eligible for Housing Benefit	62	7	37	917	1,023	69
	- Not eligible for Housing Benefit						
	Gross rents receivable	3,063	215	24,775	917	28,970	2,097
	Less: rents losses from voids	(137)	(2)	(1,435)	-	(1,574)	(88)
	Net rents receivable	2,926	213	23,340	917	27,396	2,009
	Revenue grants from local authorities and other agencies	-	-	219	-	219	-
	Revenue grants from the Housing Corporation	-	-	-	-	-	-
	Total income from lettings	<u>2,926</u>	<u>213</u>	<u>23,559</u>	<u>917</u>	<u>27,615</u>	<u>2,009</u>
	Expenditure from letting activities						
	Services	1,130	121	19,390	1,459	22,100	869
	Management	648	23	2,087	353	3,111	527
	Routine maintenance	277	7	1,833	5	2,122	148
	Rent losses from bad debts	2	-	27	-	29	3
	Abortive development costs	60	-	-	-	60	52
	Depreciation	161	26	961	-	1,148	100
	Total expenditure on lettings	<u>2,278</u>	<u>177</u>	<u>24,298</u>	<u>1,817</u>	<u>28,570</u>	<u>1,699</u>
	Operating (deficit)/surplus on letting activities	<u>648</u>	<u>36</u>	<u>(739)</u>	<u>(900)</u>	<u>(955)</u>	<u>310</u>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

4 Staff numbers and costs

	2002 Number	2001 Number
Average number employed including the Chief Executive (full-time equivalent):		
Residential homes	1,277	-
Sheltered housing	45	36
Live at home	51	-
Office staff	104	11
	<hr/>	<hr/>
	1,477	47
	<hr/>	<hr/>
	£'000	£'000
Staff costs:		
Wages and salaries	19,177	616
Social security costs	957	35
Other pension costs	952	44
	<hr/>	<hr/>
	21,086	695
	<hr/>	<hr/>

As of 1 April 2001 the office staff previously jointly employed by Methodist Homes Housing Association and Methodist Homes for the Aged were transferred into the employment of MHA Care Group.

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

5 Directors emoluments

The directors of the company under housing association legislation comprise the Board members and the Chief Executive.

	2002 £'000	2001 £'000
Directors emoluments:		
Including pension contributions and benefits in kind	90	10
Highest paid director:		
Excluding pension contributions	42	8
(Chief Executive April – September 2001)		

Number of directors to whom emoluments (including benefits in kind but excluding pension contributions) were paid during the year and whose emoluments fall within the following bands:

	Number	Number
Nil	15	15
Between £5,001 and £10,000	-	1
Between £30,001 and £40,000	1	-
(Chief Executive November 2001 – March 2002)		
Between £40,001 and £50,000	1	-
(Chief Executive April – September 2001)		
	2002 £'000	2001 £'000

The directors were reimbursed expenses not chargeable to United Kingdom Income Tax amounting to:

9	12
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The Chief Executive is an ordinary member of the Group pension scheme (see note 19) and not subject to any enhanced or special terms nor does the Group make any contribution to an individual pension.

6 Operating surplus

Stated after charging:		
Housing properties depreciation	1,068	99
Depreciation on other tangible fixed assets	250	-
Auditors' remuneration in the capacity as auditors (including VAT)	34	11
Revaluation deficit on investments	280	-

7 Interest payable and similar charges

On loans repayable wholly or partly in more than 5 years	172	188
Methodist Homes for the Aged	-	25
	172	213

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

8 Group tangible fixed assets

Housing properties	Residential Care Homes	Housing properties held for letting	Housing properties under development	Total
	£'000	£'000	£'000	£'000
Cost				
1 April 2001	-	26,860	55	26,915
Additions	4,987	311	54	5,352
Transfer from Methodist Homes for the Aged (Trust)	39,168	3,892	-	43,060
Disposals	-	(820)	-	(820)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2002	44,155	30,243	109	74,507
	<hr/>	<hr/>	<hr/>	<hr/>
Social housing & other grants				
1 April 2001	-	22,352	-	22,352
Disposals	-	(25)	-	(25)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	-	22,327	-	22,327
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
1 April 2001	-	145	-	145
Charge for year	877	191	-	1,068
Disposals	-	(172)	-	(172)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2002	877	164	-	1,041
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
31 March 2002	43,278	7,752	109	51,139
	<hr/>	<hr/>	<hr/>	<hr/>
1 April 2001	-	4,363	55	4,418
	<hr/>	<hr/>	<hr/>	<hr/>

Additions to housing properties under development including Capitalised interest of £Nil (2001 - £Nil) and development administration of £53,000 (2001 - £47,000).

Housing properties comprise:

	2002 £'000	2001 £'000
Freehold	46,162	2,856
Long leasehold	4,977	1,562
	<hr/>	<hr/>
	51,139	4,418
	<hr/>	<hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2002
(continued)**

8 Group tangible fixed assets (continued)

Other	Freehold offices £'000	Furniture equipment & vehicles £'000	Total £'000
Cost			
1 April 2001	-	-	-
Transfer from Methodist Homes to the Aged (Trust)	1,458	3,388	4,846
Additions	-	85	85
Disposals	-	(35)	(35)
	<hr/>	<hr/>	<hr/>
31 March 2002	1,458	3,438	4,896
	<hr/>	<hr/>	<hr/>
Depreciation			
1 April 2001	-	-	-
Charge for the year	43	207	250
	<hr/>	<hr/>	<hr/>
At 31 March 2002	43	207	250
	<hr/>	<hr/>	<hr/>
Net book value			
March 2002	1,415	3,231	4,646
	<hr/>	<hr/>	<hr/>
1 April 2001	-	-	-
	<hr/>	<hr/>	<hr/>

9 Investment properties

	2002 Group £'000	2001 Group £'000
Freehold land and buildings – UK		
Transfer from Methodist Homes for The Aged (Trust)	519	-
Adjustment arising on revaluation	51	-
Disposals	(175)	-
	<hr/>	<hr/>
	395	-
	<hr/>	<hr/>

Investment Properties were valued at 31 March 2002 by Pinders Professional & Consultancy Services Limited, Chartered Surveyors, on the basis of open market value.

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2002
(continued)**

10 Debtors

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Arrears of services and rent	694	27	-	-
Other debtors	332	-	10	-
Amounts due from subsidiary undertakings	-	239	37	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,026	266	47	-
	<hr/>	<hr/>	<hr/>	<hr/>

11 Investment securities

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Methodist Church Central Finance Board:				
Managed Equity Fund	3,843	369	-	-
Managed Fixed Interest Fund	754	170	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,597	539	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

12 Creditors: Amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade creditors	986	91	281	-
Prepayments of rent and service charges	385	12	87	-
Taxation and social security	198	-	-	-
Accruals and deferred income	409	-	9	-
Housing loans – interest	76	13	-	-
Housing loans – principal	6	9	-	-
Amounts due to subsidiary undertakings	-	232	-	-
Other creditors	256	44	64	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,316	401	441	-
	<hr/>	<hr/>	<hr/>	<hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

13 Creditors: Amounts falling due after more than one year

Housing loans from the Housing Corporation, Local Authorities and Building Societies are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest in instalments due as follows:

	Group	
	2002 £'000	2001 £'000
Between two and five years	44	63
In five years or more	1,591	1,572
	<hr/>	<hr/>
	1,635	1,635
	<hr/>	<hr/>

14 Share capital

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

15 Revenue reserves

	Company £'000
1 April 2001	-
Surplus for the year	22
	<hr/>
31 March 2002	22
	<hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

16 Group reserves

	Endowment Reserve	Charitable Funds	Restricted Reserves	Revaluation Reserve	Revenue Reserve	Total
	HD Clarke Memorial Fund		RSF Reinvestment Fund		Income and Expenditure Account	
	£'000	£'000	£'000	£'000	£'000	£'000
1 April 2001	-	-	352	214	3,500	4,066
Surplus for the year	661	597	-	-	(31)	1,227
Transfer of funds (note 21)	-	12,458	-	-	46,758	59,216
Surplus on revaluation of assets	-	-	-	20	-	20
RCGF notional interest	-	-	54	-	(54)	-
31 March 2002	661	13,055	406	234	50,173	64,529
RSF Reinvestment Fund (for major repairs to properties)						

The reserve represents that part of surplus rental income less expenditure to date which the Group is required to hold in a Rent Surplus Fund for properties developed prior to the Housing Act 1988. The surplus rental income, calculated in a manner determined under Section 55 of the Housing Act 1988, amounted to £59,000 (2001: £58,000).

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

		Group
	2002	2001
	£'000	£'000
17 Capital commitments		
Contracted	6,119	2,120
Authorised but not contracted	17,090	70
	<hr/>	<hr/>
	23,209	2,190
	<hr/>	<hr/>

Additional loan funding of up to £21m has been obtained.

18 Contingent liabilities

At 31 March 2002 and 31 March 2001 there were no known contingent liabilities.

19 Pensions and similar obligations

The Group operates three pension schemes, two defined benefit schemes and a defined contribution scheme, all administered by The Pensions Trust.

- i) A defined benefit scheme which is a funded scheme, with the assets held in separate trustee administered funds.

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

	% pa
Inflation	2.50
Rate of increase in salaries	4.50
Rate of increase for pensions in payment	2.50*
Rate of increase for deferred pensions	2.50*
Discount rate	5.90

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

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002
(continued)

19 Pensions and similar obligations (continued)

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 March 2002 % pa	Value at 31 March 2002 £'000
Equities	7.9	10,444
Government bonds	5.3	2,742
Cash	4.0	665
Average/Total	7.2	13,851
Present value of scheme liabilities		17,633
Deficit in the scheme		(3,782)

The last formal valuation of the scheme was performed as at 30 September 2001 by a professionally qualified actuary. A valuation is due to be made as at 30 September 2004.

The group has contributed at the rate of 23.3% of pensionable salaries over the accounting period, including members contributions of 6.4%. The actuary has confirmed that the existing contribution level can continue given the deficit which is forecast to be removed within 13 years.

- ii) A Career Average Revalued Earnings (CARE) defined benefit scheme, administered by the Pensions Trust which provides guaranteed benefits on earnings revalued by inflation. The Group currently contributes 10% to the scheme.
- iii) A defined contribution scheme, administered by The Pensions Trust, which provided benefits based on the return earned by the investment. The Group contributes between 6% and 10% to the scheme.

The contribution by the Group to all pension schemes during the year amounted to £952,000 (2001: £44,000).

20 Notes to the cash flow statement

	2002 £'000	2001 £'000
a) Reconciliation of operating surplus to operating cash flows		
Operating surplus	1,129	310
Depreciation	1,318	99
Revaluation adjustment	280	-
(Increase) in debtors	(128)	(234)
Increase in creditors	373	224
	2,972	399

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2002
(continued)**

20 Notes to the cash flow statement (continued)

	2002 £'000	2001 £'000			
b) Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash	(1,964)	614			
Cash outflow from loan financing	21	843			
	<hr/>	<hr/>			
Change in net debt resulting from cash flows	(1,943)	1,457			
Loan indexation	(18)	(21)			
Decrease in market value of current asset investment	(311)	(38)			
Net funds transferred from Methodist Homes for the Aged	11,590	-			
	<hr/>	<hr/>			
Movement in net debt	9,318	1,398			
Net debt at 1 April 2001	(226)	(1,624)			
	<hr/>	<hr/>			
Net debt at 31 March 2002	9,092	(226)			
	<hr/>	<hr/>			
c) Analysis of net changes in debt					
	At 1 April 2001 £'000	Transfer from Methodist Homes for the Aged £'000	Cash flow £'000	Other changes £'000	At 31 March 2002 £'000
Short term deposits	871	6,801	(2,325)	-	5,347
Cash at bank and in hand	8	420	361	-	789
			<hr/>		
			(1,964)		
			<hr/>		
Debt due within one year					
Housing loans – principal	(9)	-	21	(18)	(6)
Debt due after more than one year					
Housing loans – principal	(1,635)	-	-	-	(1,635)
Current asset investments	539	4,369	-	(311)	4,597
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(226)	11,590	(1,943)	(329)	9,092
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

(continued)

21 Transfer of funds

On 1 April 2001 Methodist Homes for the Aged, a charitable trust ceased to operate and on the same date, transferred its operations, assets and liabilities to a charitable company of the same name. The charitable company is a subsidiary of MHA Care Group.

Net assets transferred	£'000
Fixed assets	47,906
Fixed asset investments	519
Current asset investments	4,369
Debtors	903
Short term deposits	6,801
Cash at bank and in hand	420
Creditors	(1,702)
	<hr/>
	59,216
	<hr/>

22 Group structure

MHA Care Group has the following subsidiary undertakings:

Methodist Homes Housing Association

Incorporation: Industrial and Provident Societies Act 1965
Registered Number LH2343

Principal activity: Charitable provision and management of social housing

Methodist Homes for the Aged

Incorporation: Charity Registered Number 1083995

Principal activity: Charitable provision and management of residential care homes.

Redcroft Residential Home

Incorporation: Charity Registration Number 251276

Principal activity: Charitable provision and management of a residential care home

This charity has not been consolidated on the grounds that the net assets and level of activities are not material to the Group.

Methodist Homes (Second) Housing Association Limited

Incorporation: Industrial and Provident Societies Act 1965
Registered Number

Principal activity: Charitable provision and management of social housing.

This charity has not been consolidated on the grounds that the net assets and level of activities are not material to the Group.