

METHODIST HOMES FOR THE AGED

REPORT AND ACCOUNTS

31 March 2007

Charity Registered No. 1083995

Company Registered No 4043124



BAKER TILLY UK AUDIT LLP
Chartered Accountants
Birmingham

METHODIST HOMES FOR THE AGED

ACCOUNTS

31 March 2007

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METHODIST HOMES FOR THE AGED

OFFICERS AND ADVISORS

Patrons

The Rt Hon The Lord Archer of Sandwell QC (President)
 Baroness Kathleen Richardson of Calow, OBE
 Pam Rhodes
 Baroness Emma Nicholson of Winterbourne MEP

Board

	Born	Term of office		Committee memberships
Chair		Start	Finish	
Rev Peter Mortlock	1945	2000		Development Committee, Board Succession Committee, Remuneration Committee
Other Board Members				
Mike Bamford	1945	2002		Development Committee, Board Succession Committee
Stephen Beard	1958	Sept 2005		
Jeanne Forman (R)	1922	2004	Sept 2006	
Malcolm Johnson	1943	2003		
Barbara Keen	1941	Sept 2006		
Nwabueze Nwokolo	1954	2004		
Andrew Robinson	1947	Sept 2006		
Keith Salsbury	1946	2001	July 2007	Audit Committee, Board Succession Committee
John Skinner	1934	2005	July 2007	
Linda Stephens	1954	2004	Sept 2006	

Note (R) denotes member is a resident in a Care Home

Corporate Management Team	Born	Joined	Position
Rev Dr Keith Albans	1956	2001	Group Director - Chaplaincy & Spirituality
Carol Artis	1953	Apr 2005	Group Director - Operations
Jane Barker	1961	1999	Group Director - Strategic Partnerships
Roger Davies	1959	1999	Group Chief Executive
Rosie Forrest	1962	Jul 2006	Head of Human Resources
Anna Marshall-Day	1972	Jul 2006	Group Company Secretary
Paul Milner	1964	2002	Group Director - Finance
Steve Reynolds	1951	1999	Group Director - Service Improvement

Company Secretary

Paul Milner

METHODIST HOMES FOR THE AGED
OFFICERS AND ADVISORS (*continued*)

REGISTERED OFFICE

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

CHARITY REGISTERED NUMBER

1083995

**COMPANY REGISTERED IN ENGLAND
AND WALES NUMBER**

4043124

PROFESSIONAL ADVISORS

Solicitors

Anthony Collins
134 Edmund Street
Birmingham
B2 2ES

Registered Auditor

Baker Tilly UK Audit LLP
City Plaza
Temple Row
Birmingham
B2 5AF

Bankers

HSBC Plc
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London
SW1Y 5EZ

AIB Group (UK) Plc
39 Waterloo Street
Birmingham
B2 5PP

Investment advisors

Central Finance Board of the Methodist Church
9 Bonhill Street
London
EC2A 4PE

METHODIST HOMES FOR THE AGED

BOARD OF DIRECTORS' REPORT including TRUSTEES' ANNUAL REPORT

31 March 2007

1 Structure, Governance and Management

Governing Document

Methodist Homes for the Aged is a company limited by guarantee (Companies House No 4043124) and a registered Charity (Registered Charity No 1083995) It is governed by Memorandum and Articles of Association

The charitable company is a subsidiary of MHA Care Group The connected charitable organisation Methodist Homes Housing Association Limited is also a subsidiary of this group The group structure clarifies and strengthens the governance arrangements and provides a robust structure for the future development of services to older people

Organisational Structure

The Board consists of up to 12 Board Members, made up of up to 8 Methodist Church appointments, 2 independent nominations and 2 of our residents

The Board has the following committees

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

The Board delegates the day-to-day operations to the Corporate Management Team who report back to the Board and various Committees

Election and appointment of Board Members

The Church appointees are formally appointed by the Conference of the Methodist Church The Independent and resident nominees are appointed by the Board at its annual general meeting The recruitment of new Board Members is through a process of advertisement, application and interviews

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

- Members who served on the Board during the year are shown in the list of officers on page 1

Induction and training of Board Members

New Board members receive full induction as set out in the Board Member Code of Conduct A Board Member Reference Book is provided on appointment This contains the constitutional documents along with policies and information relevant to the work of the Charity In addition, all Board members are 'linked' with a local care home or housing scheme in order to get to know projects, residents, tenants, volunteers and staff and further develop understanding of the work of the organisation Visits to local projects are also an annual feature of Board meetings Training of all trustees is provided in accordance with requirements and as a result of annual performance appraisals

METHODIST HOMES FOR THE AGED

BOARD OF DIRECTORS' REPORT including TRUSTEES' ANNUAL REPORT

31 March 2007
(continued)

Induction and training of Board Members (continued)

The Board Members decide the strategic aims of the Charity. They do not attempt to undertake management tasks, though they hold to account those employed to perform management and executive functions. Decisions are taken in accordance with the instructions laid down in the Charity's Standing Orders and related policy documents.

Patrons

We would like to take this opportunity to thank our patrons. Their support is invaluable in raising the profile of the organisation and helping MHA to reach out to more older people in need. Opening new projects, supporting national events and backing major capital appeals generates essential charitable income and the time and contribution given by our patrons is greatly appreciated.

Connected Charities

Methodist Homes for the Aged works closely with two associated charitable organisations:

MHA Care Group	-	parent company
Methodist Homes Housing Association	-	fellow subsidiary undertaking

Risk Management

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

2 Objectives and Activities

The Charity's objects are 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, the Channel Islands and the Isle of Man.

MHA's mission is to improve the quality of life for older people, inspired by Christian concern.

Our main objectives for the coming year are to continue to provide high quality services and to reach out to more older people by developing new care homes, housing and support services to meet needs and expectations.

The strategies to achieve these objectives and the measurements of success are:

- extend the spread of services by clustering developments near existing projects as well as taking advantage of partnership working and financially viable options to meet demand and the needs of local older people in other areas
- develop a range of services to meet expectations and individual needs and address the current and future requirements of older people in today's society, building on existing knowledge, skills and expertise in the design of accommodation and delivery of care and support for older people
- develop and review our services in the areas of promoting well-being of older people, dementia care, end of life care, building design, quality assurance, catering and staffing
- obtain and analyse service user views via satisfaction surveys and feedback to improve service delivery and spread good practice
- ensure each project achieves clearly defined quality, financial and staffing standards
- introduce a system of assessing our care standards to meet consistently high standards

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

METHODIST HOMES FOR THE AGED

BOARD OF DIRECTORS' REPORT including TRUSTEES' ANNUAL REPORT

31 March 2007
(continued)

Significant activities

The significant Charitable activities undertaken are

- I Residential, Dementia and Nursing Care Homes
24 hour person-centred care and support in specially designed accommodation with private en suite bedrooms and spacious dining facilities, communal areas and gardens. Full and varied activities programmes, including shared worship, are made available to meet the needs of each individual
- II Sheltered Housing
Purpose built apartments with individual kitchen, bathroom, bedroom and living areas for independence and privacy coupled with shared areas for activities, social events and friendship. The Manager organises cleaning and maintenance of the building and gardens. They are also on hand to provide assistance, ensuring safety and security. We work in partnership with Methodist Homes Housing Association, who delivers our specialist housing management
- III Supported Retirement Housing for Sale
All the advantages of Sheltered Housing, but available for purchase to individuals or couples who wish to own their home and benefit from support as required
- IV Live at Home schemes
Companionship, outings and help with shopping, nourishing hot meals and social activities organised by staff supported by volunteers - all designed to help older people stay independent and supported in their own home and community

3 Achievements and Performance

Significant progress has been made towards MHA's strategy to provide high quality care homes, housing and support services and to extend provision to more older people. MHA is now delivering services to over 8,500 older people and those using our services reported the highest ever levels of satisfaction.

We are fulfilling an ambitious £30m annual plan to update our older care homes, incorporating state-of-the-art facilities and innovative features designed to meet residents' needs. Where it is not viable to completely refurbish, new homes are built to replace original homes. Financed by a combination of charitable income and borrowing, this is all part of MHA's on-going commitment to continuously improve services for all residents ensuring that our high quality standards and conditions are retained. Our achievements in the year have included

- Mid Wales is the place for MHA's largest project to date. Hafan y Waun in Aberystwyth opened its doors to residents in February 2007. In partnership with Ceredigion County Council, this new home is now improving the lives of the 90 residents and up to 70 people a week in a Dementia Day Care Centre.
- The total refurbishment of our nursing care home Ty Gwyn situated in Penarth was completed in December 2006. The home now has facilities for 45 residents, and includes 14 en-suite rooms, three of which have double bedrooms for couples.
- The re-provision of Berwick Grange in Harrogate was finalised on 13 December 2006 when residents moved into their new home. The £4.7m building, which replaces the original care home established in 1946, offers accommodation for 52 older people. Nursing and dementia care facilities are now also available.

METHODIST HOMES FOR THE AGED

BOARD OF DIRECTORS' REPORT including TRUSTEES' ANNUAL REPORT

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(continued)

3 Achievements and Performance (continued)

- Elmside residential care home in Hitchin, Hertfordshire opened in 1966. As part of MHA's commitment to ensure that all our properties meet not only today's, but also tomorrow's, standards, a new care home has been built in the grounds. The new home welcomed its first residents in the spring of 2007, increasing the number of residential care places by three and also offering twenty-five places for people with dementia. Following its completion, the original home will be demolished to make way for new housing with care, extending the range of services for older people in the area.
- Richmond, our care home in Bexhill, Sussex, has also recently been redesigned to provide another nine dementia care places. Additionally property improvements include improved access to facilities for wheelchair and buggies users at our home in Muswell Hill.
- Extending the range of our services, MHA is developing a number of housing apartments with support and security features for sale to older people.
- MHA has always had strong links to the Church. In Burraton, Cornwall and Sea Mills in Bristol we are developing apartments for leasehold sale for older people to live independently. Both developments are situated in the Church grounds and are purpose-built. A part-time manager will be on hand to arrange cleaning and maintenance of the building and offer support as required. Sea Mills was completed in May 2007 and many of the flats are already occupied. A similar project to convert a former care home Terrill House, in Bristol to supported retirement housing after the building was transferred to MHA from Bristol Free Church Housing Association was also completed in May 2007.

MHA's Live at Home schemes continue to be a valuable asset to 4,600 older people living in their own home. Our befriending services, social events and activities promote a sense of well-being, happiness and vital links with the community.

We are always trying to find new and better ways to meet the needs of our residents. But it is not just about meeting physical and social needs. We aim to enrich the quality of life of the older people we serve by making them feel happy, valued and fulfilled. We strongly believe this is crucial to health and well-being. One of several of our new initiatives is 'Seize the Day'. We're asking residents to think about doing something they've always wanted to do and, with their family's help, we will try to make it happen.

We continue to develop our knowledge in the areas of person-centred dementia care and building design to deliver the best service possible. Following sound research and long-term experience our future plans will ensure that more older people will benefit from the specialist accommodation, features, facilities and care we offer not only to those with dementia but also to their carers.

As part of our work on spirituality, we have implemented "The Final Lap" in all our care homes. This training programme ensures that the sensitive and difficult issues of dying and death are faced openly and positively. The programme ensures that our staff members are trained to address this sensitive issue with our residents and ensures that appropriate support is available when needed.

Charitable income is vital to the continuation of our work and every gift helps us to improve the quality of life for older people. Legacy donations are vital and we have continued to benefit from an increase in regular, monthly giving by many of our supporters. Capital appeals seek to support our new developments and grant giving. Trusts and numerous community events all play an invaluable role in enabling MHA to reach out to more older people, developing innovative services to meet individual needs and delivering care tailored to each person. MHA is fortunate to benefit from the dedication of over 5,000 volunteers who give their precious time to older people, helping MHA to offer an extra special, person-centred service.

METHODIST HOMES FOR THE AGED

BOARD OF DIRECTORS' REPORT including TRUSTEES' ANNUAL REPORT

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(continued)

Employees

MHA is fortunate in employing so many managers and staff who share our values and provide an exceptional service to older people. We are careful in our recruitment and committed to retaining good managers and staff through good systems in rewards, training, flexible benefits and engagement, including motivation and participation. We are grateful for the contribution and work of all staff, who together, make a real difference to the lives of older people.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interest, and that all employees are aware of the performance of their local project and of the Group as a whole. Communication with all employees continues through in-house newsletters and briefing groups.

4 Financial Review

The Statement of Financial Activities shows total incoming resources of £73.9m, a 7.5% increase on the previous financial year.

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

The net movement of funds of £10.2m is added to the total balances brought forward of £83m.

Key Indicators

	2007-08 Target £m	2006-07 Actual £m	2005/06 Actual £m	2004/05 Actual £m	2003/04 Actual £m
Total income	80.9	73.9	68.7	52.7	45.6
Operating costs	71.4	63.7	61.7	46.1	40.1
Surplus for the year	9.5	10.2	7.0	6.6	6.1
<i>Service users</i>					
Care homes	2,760	2,600	2,500	2,080	1,900
Community services	4,600	4,600	4,600	4,500	4,500
<i>Occupancy</i>					
Care homes	97.4%	96.4%	96.1%	96.2%	94.0%
Housing	98.8%	98.8%	99.6%	98.6%	98.5%
<i>Residents satisfaction</i>	83%	81%	79%	76%	76%
<i>Residents satisfaction</i>	83%	81%	79%	76%	76%
<i>Cost of fundraising to charitable income</i>	12.8%	13.7%	15.6%	11.7%	11.0%

Reserves policy

The Board of Directors have considered the level of reserves which should be maintained within the Charity and this is reviewed annually. Such reserves are needed to cover, for example, working capital, the risk of possible shortfalls in charitable income and other contingencies. The Board considers that minimum reserves of cash and investments of approximately £4.5m are needed to cover such items, and to enable the Charity to continue to operate to meet its charitable objectives.

The level of free reserves, excluding long term loans (which have been taken out to finance the development programme), restricted and designated funds and those invested in fixed assets are £15.6m (2006 £7.7m). The excess reserves are earmarked for future service development.

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Investment policy

This policy covering investment objectives is reviewed half-yearly by the Finance Advisory Group and has been drawn up with assistance from our investment advisors, the Central Finance Board of the Methodist Church (CFB), to cover the different types of funds held, as follows

- General funds target to provide working capital in line with the reserves policy by investing 65% to 85% in equities (actual 76%) and 15%-35% in fixed interest securities (actual 24%)
- Restricted funds target (excluding Live at Home and Amenity Funds) investing 50%-75% in equities (actual 51%), 25%-50% in fixed interest securities (actual 22%) and 0%-10% in cash (actual 26%)
- Permanent endowment funds target investing 100% (actual 92%) in fixed interest securities excluding a minimum cash balance of £100,000 (actual 8%)

The investments have been traded during the year, on the advice of the investment manager to comply with the Ethical Fundraising policy and the strong policies of the CFB on ethical investments, in order to move towards the agreed objectives

The equity investments increased in value by 10.3% against FTSE All Share index of 11.6%. The fixed interest investments increased in value between 5.9% and 7.6% against FTSE Short Gilt index Composite Index of 1.6%

Principle funding sources

The Charity has arranged a loan facility with the Allied Irish Bank to draw up to £41m. During the year a total of £8m was drawn to finance Fixed assets additions of £13.4m, the balance of expenditure being met from reserves. This expenditure enables us to redevelop existing homes to meet new standards as well as to build new homes.

5 Future developments

The Charity will review and develop its services in the following respects

- Well-Being – exploring new ways to promote well-being and fulfilment, providing opportunities and choice for older people to pursue their interests
- Dementia – developing our person-centred approach in different models of care, applying our own knowledge and experience plus the latest findings and technological developments in the sector
- End of Life - developing our service for older people as they near the end of their life and bringing together our thinking on spirituality with our care service
- Design - ensuring our Care Homes and Housing Schemes are well designed and maintained to provide an attractive environment in which older people want to live
- Quality Assurance – enhancing our systems so that we can ensure our services are delivered to a consistently high standard and demonstrate this to regulators and older people
- Catering – bringing hospitality sector best practice to all of our services and ensuring it is delivered consistently
- Staff - ensuring managers and staff who have the right skills, experience, attitude and motivation to ensure our high standards are maintained
- Retirement Communities – We will explore opportunities to develop services for older people in retirement communities

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BOARD OF DIRECTORS' REPORT including TRUSTEES' ANNUAL REPORT

31 March 2007
(continued)

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

- Bolton a new 62 place care home
- Bedford a new 62 place care home
- Carterton a new care home to be built to our specification then leased to MHA
- Hitchin 24 housing with care apartments to be built
- Ipswich The building of a new dementia wing and additional bedrooms
- Shirley Obtain planning permission for the re-provision
- Whitstable Re-provision of existing care home
- Exning A community care service in a scheme owned by Hereward Housing Association
- Dore 30 supported retirement housing apartments for sale
- Penrith 29 housing with care apartments for sale
- Swindon 35 housing with care apartments for sale

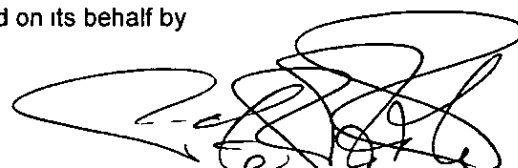
Statement as to Disclosure of Information to Auditors

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

Auditors

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

The report of the Board was approved on 11 July 2007 and signed on its behalf by



REV PETER MORTLOCK
Chair

Epworth House
Stuart Street
Derby
DE1 2EQ

METHODIST HOMES FOR THE AGED

STATEMENT OF THE BOARD'S RESPONSIBILITIES

31 March 2007

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that year. In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal financial control assurance

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

The Board confirms there is an ongoing process for identifying, evaluating and managing significant risks to the achievement of the Association's strategic objectives. It has established the following key procedures, which are designed to provide effective internal financial controls:

- **Control environment and procedures:** The Board has approved Standing Orders, which establish clear management responsibilities in relation to financial control and limits to management discretion. Financial processes are supervised by staff with appropriate experience and qualification.
- **Risk management:** The Board has adopted Financial Strategies, which are designed to identify and control significant risks facing the organisation. All significant initiative 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 2007 and until 11 July 2007. No weaknesses were found which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report of those financial statements.

On behalf of the Board


REV PETER MORTLOCK
Chair
2007

METHODIST HOMES FOR THE AGED

Independent auditor's report to the members of Methodist Homes for the Aged

We have audited the financial statements on pages 12 to 30

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of Methodist Homes for the Aged for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and whether the Board of Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the charitable company 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 regarding trustees' remuneration and other transactions 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 Board of 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 audit opinion

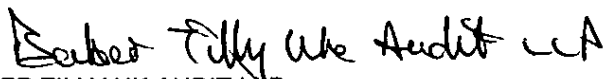
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985
- the information given in the Board of Directors' Report is consistent with the financial statements



BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
City Plaza
Temple Row
Birmingham

11 July 2007

METHODIST HOMES FOR THE AGED
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2007

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2007 Total £'000	2006 Total £'000
Incoming resources						
Voluntary income	2	3,874	1,338	65	5,277	4,022
Investment income	3	310	122	31	463	453
Incoming resources from generated funds		4,184	1,460	96	5,740	4,475
Charitable activities	4	66,704	1,276	-	67,980	64,254
Profit on disposal of fixed assets		165	-	-	165	-
Total incoming resources		71,053	2,736	96	73,885	68,729
Resources expended						
Costs of generating funds	5	724	-	-	724	679
Charitable activities	5	60,737	1,745	31	62,513	60,643
Governance costs	5	430	-	-	430	366
Total resources expended		61,891	1,745	31	63,667	61,688
Net incoming resources before other recognised gains and losses		9,162	991	65	10,218	7,041
Gains and losses on investment assets	7	72	57	(16)	113	444
Net movement in funds for the year		9,234	1,048	49	10,331	7,485
Brought forward at 1 April		67,356	14,759	694	82,809	75,324
Carried forward at 31 March		76,590	15,807	743	93,140	82,809

The Statement of Financial Activities includes all gains and losses in the year

All incoming resources and resources expended derive from continuing activities

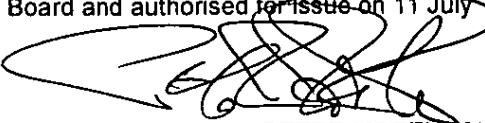
METHODIST HOMES FOR THE AGED

BALANCE SHEET

as at 31 March 2007

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2007 Total £'000	2006 Total £'000
Fixed assets						
Tangible fixed assets	8	89,596	12,637	-	102,233	91,867
Investments – Properties	10	440	-	-	440	440
		<u>90,036</u>	<u>12,637</u>	<u>-</u>	<u>102,673</u>	<u>92,307</u>
Current assets						
Retirement housing stock		9,256	-	-	9,256	4,276
Investments – Securities	11	2,211	949	595	3,755	3,032
Debtors	12	5,522	-	-	5,522	2,322
Cash at bank and in hand		4,468	2,221	148	6,837	5,702
		<u>21,457</u>	<u>3,170</u>	<u>743</u>	<u>25,370</u>	<u>15,332</u>
Creditors Amounts falling due within one year	13	(5,903)	-	-	(5,903)	(3,830)
		<u>15,554</u>	<u>3,170</u>	<u>743</u>	<u>19,467</u>	<u>11,502</u>
Net current assets						
		<u>15,554</u>	<u>3,170</u>	<u>743</u>	<u>19,467</u>	<u>11,502</u>
Total assets less current liabilities		<u>105,590</u>	<u>15,807</u>	<u>743</u>	<u>122,140</u>	<u>103,809</u>
Creditors: Amounts falling due after more than one year	14	(29,000)	-	-	(29,000)	(21,000)
		<u>76,590</u>	<u>15,807</u>	<u>743</u>	<u>93,140</u>	<u>82,809</u>
Net Assets		<u>76,590</u>	<u>15,807</u>	<u>743</u>	<u>93,140</u>	<u>82,809</u>
Funds						
Endowment funds	15	-	-	743	743	694
Restricted income funds	16	-	15,807	-	15,807	14,759
Unrestricted income funds		76,590	-	-	76,590	67,356
General fund		<u>76,590</u>	<u>15,807</u>	<u>743</u>	<u>93,140</u>	<u>82,809</u>

The financial statements on pages 12 to 30 were approved on behalf of the Board and authorised for issue on 11 July 2007 and signed on their behalf by


REV PETER MORTLOCK
Chair

Epworth House
Stuart Street
Derby

METHODIST HOMES FOR THE AGED

CASH FLOW STATEMENT

For the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	18(a)	7,440	7,939
Returns on investments and servicing of finance			
Investment income		463	453
Interest paid		(1,047)	(866)
		(584)	(413)
Capital expenditure			
Payments to acquire tangible fixed assets		(13,372)	(18,395)
Receipts from sale of tangible fixed assets		261	-
		(13,111)	(18,395)
Net cash flow before use of liquid resources and financing		(6,255)	(10,869)
Management of liquid resources			
Purchase of investments		(722)	(78)
Receipts from sale of investments		112	229
		(610)	151
Financing			
Loan received		8,000	10,000
Increase/(decrease) in cash	18(c)	1,135	(718)

METHODIST HOMES FOR THE AGED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

1 Principal accounting policies

Basis of Accounting

These financial statements have been prepared under the historical cost convention, with the exception of investments which are shown at market value, and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (revised 2005) and in accordance with applicable financial reporting standards

Investment properties are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges (unless held on lease), but should be shown at open market value. This is contrary to the Companies Act 1985 which states that, subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting or the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by SSAP 19 is considered appropriate for investment properties.

Details of the current value and historical cost information for investment properties are given in note 10.

Incoming Resources from Generating Funds

Donations, legacies and other voluntary income – These are included in the Statements of Financial Activities when the Charity is certain of receipt. The Charity received substantial amounts of voluntary help from its supporters, but no attempt is made to place a financial value on these services and they are not included in these financial statements.

Charitable Activities

Fees, charges and rents – Income represented the amounts charged for occupation costs and services provided in the year.

Grants receivable from statutory bodies – Grants are recognised in the statement of financial activities as they become receivable.

Supported retirement housing for sale – Income and expenditure represents amounts relating to individual units sold during the year on long-term lease. Unsold units and work in progress at the year end are treated as stock and are therefore valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

Central and regional office costs

All staff employed in central and regional offices are employed by MHA Care Group. Costs are shared on the basis of the proportion of time spent by each member of staff on work associated with each organisation. Similarly, the office premises are jointly occupied and office services are shared. Costs which cannot be directly or wholly attributed to one organisation are shared pro rata to salary costs.

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

1 Principal accounting policies (continued)

Within the financial statements of the Charity, these expenses are allocated, again on the basis of time spent to three items

(i) Charitable Activities

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

(ii) Costs of generating funds

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

(iii) Governance costs

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

Grants payable to Methodist Homes Housing Association Limited

These relate to grants made to fund specific property developments undertaken by Methodist Homes Housing Association Limited

Tangible fixed assets and depreciation

Land is stated at valuation or cost and is not depreciated

Fixed assets with a cost of more than £10,000 are capitalised and depreciated. Improvements which enhance the future economic benefits of the property or extend its overall useful life are capitalised and are fully written off over the expected useful life of the property

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

Investments

Investments in securities are shown in the financial statements at their market value at the balance sheet date. Movements in the valuation of investments are shown as realised and unrealised gains and losses in the statement of financial activities

Retirement housing stock

Income and expenditure represents amounts relating to individual units sold during the year on a long-term lease. Unsold units and work in progress at the year end are treated as stock and are therefore valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2007
(continued)**

1 Principal accounting policies (continued)

Restricted income funds

These balances represent voluntary income or grants from statutory authorities which have been received for purposes set out in note 16. The application of these funds is restricted by the terms of a special appeal, the expressed wishes of the donor, the will of the testator, or the terms of the grant.

Endowment funds

These represent money given for a particular purpose and are intended to be permanent with the original capital being maintained and the income and capital growth being utilised.

Pensions: Defined benefit scheme

The Charity participates in defined benefit schemes, as detailed in note 17. Where it is not possible in the normal course of events to identify the schemes underlying assets and liabilities belonging to individual participating employers, under accounting standards the accounting charge for the period represents the employer contributions payable.

Pensions: Defined contribution scheme

Contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

Taxation

The Charity has charitable status and, therefore, as all of its activities relate to its primary purpose, it is not subject to Corporation Tax on its surplus.

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

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2007
(continued)**

2 Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	2007 Total £'000	2006 Total £'000
Donations	423	1,268	65	1,756	1,539
Legacies receivable	3,451	70	-	3,521	2,483
	<u>3,874</u>	<u>1,338</u>	<u>65</u>	<u>5,277</u>	<u>4,022</u>

3 Investment income

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2007 Total £'000	2006 Total £'000
Investment properties – UK	47	-	-	47	48
Investment securities – UK	76	26	-	102	97
Bank and deposit interest	187	96	31	314	308
	<u>310</u>	<u>122</u>	<u>31</u>	<u>463</u>	<u>453</u>

METHODIST HOMES FOR THE AGED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

4 Charitable activities

Incoming Resources from Charitable Activities

Fees and charges									
Rents	61,563	2,220	309	-	-	-	-	64,092	58,680
Grants	343	624	-	-	-	-	-	967	877
Sales	-	165	802	-	-	-	-	967	1,191
	-	-	-	1,954	-	-	-	1,954	3,506
Total income	61,906	3,009	1,111	1,954	-	-	-	67,980	64,254

Resources expended - Charitable Activities

Staff costs	(37,294)	(1,310)	(935)	-	-	-	-	(39,539)	(37,728)
Operational costs	(15,033)	(918)	(657)	(1,650)	(184)	(20)	(20)	(18,463)	(18,813)
Allocated costs	(3,396)	(591)	(269)	-	-	(255)	(255)	(4,511)	(4,102)
Total (note 5)	(55,723)	(2,819)	(1,861)	(1,650)	(184)	(275)	(275)	(62,513)	(60,643)
Total Surplus/(deficit)	6,183	190	(750)	304	(184)	(275)	(275)	5,467	3,611

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

5 Analysis of total resources expended

	Staff costs (note 6) £'000	Operational costs (note 6) £'000	Allocated costs (note 6) £'000	2007 Total £'000	2006 Total £'000
Cost of generating funds					
Employment costs	-	-	226	226	333
Other costs	-	-	498	498	346
	<u>-</u>	<u>-</u>	<u>724</u>	<u>724</u>	<u>679</u>
Charitable activities (note 4)	<u>39,539</u>	<u>18,463</u>	<u>4,511</u>	<u>62,513</u>	<u>60,643</u>
Governance costs					
Employment costs	-	-	251	251	210
Trustees expenses	-	-	17	17	16
External audit fees	-	-	50	50	22
Internal audit fees	-	-	8	8	4
Other costs	-	-	104	104	114
	<u>-</u>	<u>-</u>	<u>430</u>	<u>430</u>	<u>366</u>
Total resources expended	<u><u>39,539</u></u>	<u><u>18,463</u></u>	<u><u>5,665</u></u>	<u><u>63,667</u></u>	<u><u>61,688</u></u>

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

6 Analysis of Operational and Allocated Costs

	Operational costs £'000	Allocated costs £'000	2007 Total £'000	2006 Total £'000
Wages and salaries	-	2,530	2,530	2,340
Social security costs	-	224	224	299
Other pension costs	-	356	356	194
Staff training and advertising	504	255	759	978
Supplies and services	8,182	-	8,182	7,579
Repairs and rents	3,852	-	3,852	4,133
Supported retirement housing cost of sales	1,535	-	1,650	2,442
Depreciation	2,232	205	2,435	2,118
Grants to Methodist Homes Housing Association	7	-	7	51
Insurance	267	35	302	295
Registration fees	268	14	282	238
Loan interest	1,047	-	1,047	866
Other costs	569	2,046	2,502	2,427
	<u>18,463</u>	<u>5,665</u>	<u>24,128</u>	<u>23,960</u>

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

	2007 £'000	2006 £'000
Staffing Costs		
Wages and salaries	36,257	34,630
Social security costs	2,471	2,236
Pension costs	811	862
	<u>39,539</u>	<u>37,728</u>
	<u><u>39,539</u></u>	<u><u>37,728</u></u>
	Number	Number
Average number of employees (full-time equivalent) was		
Homes	2,085	2,030
Live at Home	68	70
Sheltered housing	72	36
	<u>2,225</u>	<u>2,136</u>
	<u><u>2,225</u></u>	<u><u>2,136</u></u>

No emoluments were paid during the year to any director. No employees earned over £50,000 excluding pension contributions during the year (2006 £Nil). The number of directors who received reimbursement for the cost of travel to and from meetings was 9 (2006 10). The cost of travel expenses reimbursed was £ 2,627(2006 £3,345).

During the year a premium of £ 2,162 (2006 £2,693) was paid for directors liability insurance.

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

7 Gains and losses on investment assets

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2007 Total £'000	2006 Total £'000
Realised gains	208	(207)	(1)	-	-
Unrealised gains	(136)	264	(15)	113	444
	<u>72</u>	<u>57</u>	<u>(16)</u>	<u>113</u>	<u>444</u>

8 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Furniture, equipment and vehicles £'000	Total £'000
Cost				
1 April 2006	90,053	4,346	5,228	99,627
Transfer to stock of housing for sale	(475)	-	-	(475)
Additions during the year	12,242	162	968	13,372
Disposals during the year	(131)	-	-	(131)
	<u>101,689</u>	<u>4,508</u>	<u>6,196</u>	<u>112,393</u>
31 March 2007				
Depreciation				
1 April 2006	6,388	433	939	7,760
Charge for the year	2,056	95	284	2,435
On disposals	(35)	-	-	(35)
	<u>8,409</u>	<u>528</u>	<u>1,223</u>	<u>10,160</u>
31 March 2007				
Net book value				
31 March 2007	<u>93,280</u>	<u>3,980</u>	<u>4,973</u>	<u>102,233</u>
31 March 2006	<u>83,665</u>	<u>3,913</u>	<u>4,289</u>	<u>91,867</u>

Included within freehold land and buildings is land of £ 16,748,000 (2006 £16,747,000) which is not depreciated

METHODIST HOMES FOR THE AGED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

8 Tangible fixed assets (continued)

The net book value at 31 March 2007 represents fixed assets used for

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Furniture, equipment and vehicles £'000	Total £'000
Direct charitable purposes:				
Homes	86,638	3,668	3,719	91,025
Sheltered housing	7,801	312	412	8,525
Support offices	1,841	-	842	2,683
	<u>93,280</u>	<u>3,980</u>	<u>4,973</u>	<u>102,233</u>

9 Capital commitments

	2007 £'000	2006 £'000
Expenditure contracted, less certified	14,583	14,087
Expenditure authorised by the Board, but not contracted	14,479	14,096
	<u>29,062</u>	<u>28,183</u>

10 Investment properties

	2007 Total £'000	2006 Total £'000
Freehold land and buildings – UK		
At Valuation		
1 April	440	370
Adjustment arising on revaluation	-	70
	<u>440</u>	<u>440</u>
31 March	440	440
	<u>440</u>	<u>440</u>
Cost value at 31 March	295	295
	<u>295</u>	<u>295</u>

Investment properties were valued at 31 March 2006 by Pinders Professional & Consultancy Services Limited, Chartered Surveyors, on the basis of open market value. The directors do not consider the value at 31 March 2007 to be materially different to that stated above.

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

11 Investments - Securities

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2007 Total £'000	2006 Total £'000
1 April 2006	1,002	1,651	379	3,032	2,809
Additions	478	14	231	723	78
Disposals	-	(113)	-	(113)	(229)
Transfers	867	(867)	-	-	-
Net gain/(loss) on revaluation	(136)	264	(15)	113	374
	<u>2,211</u>	<u>949</u>	<u>595</u>	<u>3,755</u>	<u>3,032</u>
31 March 2007	<u>2,211</u>	<u>949</u>	<u>595</u>	<u>3,755</u>	<u>3,032</u>
Methodist Church Central Finance Board					
Equity units	1,691	663	1	2,355	2,072
Fixed Interest units	520	286	594	1,400	960
	<u>2,211</u>	<u>949</u>	<u>595</u>	<u>3,755</u>	<u>3,032</u>

12 Debtors

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2007 Total £'000	2006 Total £'000
Trade debtors	5,363	-	-	5,363	2,118
Other debtors	159	-	-	159	204
	<u>5,522</u>	<u>-</u>	<u>-</u>	<u>5,522</u>	<u>2,322</u>

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

13 Creditors' amounts falling due within one year

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2007 Total £'000	2006 Total £'000
Trade creditors	723	-	-	723	1,061
Accruals and deferred income	1,885	-	-	1,885	1,045
Taxation and social security	725	-	-	725	674
Charges and rents in advance	2,277	-	-	2,277	386
Other creditors	276	-	-	276	224
Amounts due to Methodist Homes Housing Association Limited	-	-	-	-	15
Amounts due to MHA Care Group	17	-	-	17	425
	<u>5,903</u>	<u>-</u>	<u>-</u>	<u>5,903</u>	<u>3,830</u>

14 Creditors: amounts falling due after more than one year

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2007 Total £'000	2006 Total £'000
Bank Loan	<u>29,000</u>	<u>-</u>	<u>-</u>	<u>29,000</u>	<u>21,000</u>
				2007 Total £'000	2006 Total £'000
Repayable between One and two years				102	-
Three and five years				1,375	984
In five years or more				<u>27,523</u>	<u>20,016</u>
				<u>29,000</u>	<u>21,000</u>

The loan is secured on certain care home properties. The loans have a capital repayment holiday until December 2008, and therefore are repaid by 88 equal quantity instalments until December 2031. The interest rates on £10,000,000 of the loan are fixed at rates of 5.515% and 5.887% with the balance payable at a margin of 0.775% above LIBOR.

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006
(continued)

15 Endowment funds

	1 April 2006 £'000	Movement in Funds		Loss on investment assets £'000	31 March 2007 £'000
		Incoming £'000	Outgoing £'000		
H D Clarke Memorial Fund	694	31	(31)	(16)	678
Redcroft Residential Home	-	65	-	-	65
	<u>694</u>	<u>96</u>	<u>(31)</u>	<u>(16)</u>	<u>743</u>

16 Restricted income funds

	1 April 2006 £'000	Movement in Funds		Gains on investment assets £'000	31 March 2007 £'000
		Incoming £'000	Outgoing £'000		
Homes	12,241	441	(315)	47	12,414
Sheltered housing	902	638	(36)	9	1,513
Live at Home	1,130	1,399	(1,204)	1	1,326
Amenity funds	486	258	(190)	-	554
	<u>14,759</u>	<u>2,736</u>	<u>(1,745)</u>	<u>57</u>	<u>15,807</u>

The Homes and Sheltered Housing funds relate to amounts donated for use at a specific home or scheme. The Live at Home scheme funds relate to amounts raised by local schemes to fund their day to day running costs. Amenity funds relate to amounts raised for the provision of additional benefits for residents and tenants within a specific home or scheme.

17 Pensions and similar obligations

The Charity operates four pension schemes as a member of MHA Care Group, three defined benefit schemes and a defined contribution scheme, all administered by The Pensions Trust. The Pensions Committee advises the Board on the operation of the pension schemes.

- (i) The MHA Care Group defined benefit scheme is a funded scheme, with the assets held in separate trustee administered funds.

Under the definitions set out in Financial Reporting Standards 17, Retirement Benefits ("FRS 17"), the scheme is a multi-employer pension scheme. The Charity is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Charity has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Charity has set out below the information available on the total deficit which applies to MHA Care Group scheme, which also includes Methodist Homes Housing Association Limited.

METHODIST HOMES FOR THE AGED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

17 Pensions and similar obligations (continued)

The financial assumptions used to calculate the group's scheme liabilities under FRS 17 are as follows

	2007 % pa	2006 % pa
Inflation	2.75	2.50
Rate of increase in salaries	4.25	4.00
Rate of increase for pensions in payment	2.25*	2.25*
Rate of increase for deferred pensions	2.75*	2.50*
Discount rate	5.40	4.90

* 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

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

	2007 Fair Value £'000	Expected Return %	2006 Fair Value £'000	Expected Return %
Equities	14,865	8.00	13,416	8.00
Government bonds	8,679	4.80	8,289	4.40
Cash	281	5.25	287	4.50
Total	23,825	6.80	21,992	6.60
Present value of scheme Liabilities	(30,585)		(30,023)	
Deficit in the scheme	(6,760)		(8,031)	

The last formal valuation of the scheme was performed as at 30 September 2004 by a professionally qualified actuary. For the purpose of FRS 17, the valuation has been updated as at 31 March 2007.

The Charity has contributed at the rate of 23.3% of pensionable salaries over the accounting period, including members contribution 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 benefits scheme, administered by The Pensions Trust which provides guaranteed benefits on earnings revalued by inflation. The Charity currently contributes 10% to the scheme. No further disclosures are made. As the amounts involved are not material to the charity it would not be cost effective to do so.

METHODIST HOMES FOR THE AGED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

17 Pensions and similar obligations (*continued*)

- (iii) The Growth Plan is a multi employer scheme, which is administered by The Pensions Trust. Contributions paid into the Growth Plan up to and including September 2001 were converted into defined amounts of pension payable from Normal Retirement Data. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by purchase of an annuity.

The most recent valuation for which information is available was in September 2005 which valued the scheme's assets at £675m. At this date the scheme had a total membership of 38,350. The valuation revealed a shortfall of assets compared with the value of liabilities of some £29m (equivalent to a past service funding level of 96%). The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The financial assumptions underlying the valuation at 30 September 2005 were as follows:

	%p a
- Investment return pre-retirement	6.6
- Investment return post-retirement	4.5
- Bonus on accrued benefit	0.0
- Rate of price inflation	2.5

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers, accordingly, due to the nature of the scheme, the accounting charge for the period under FRS 17 represents the employer's contribution payable.

The charge to MHA for the year covered 13 (2006: 16) employees. The contribution rates of MHA for the year ended 31 March 2007 were 6% and 10% and for the employees at rates varying between 3.1% and 6.1% depending on their age. This scheme has been closed to new entrants.

MHA has subsequently been notified of an update on the funding positions of the Plan as at 30 September 2006. This indicates an increase in the assets of the Scheme to £747m and indicated a surplus of assets compared to liabilities of £2m.

iv) Social Housing Pension Scheme (SHPS)

MHA participates as a contributing member of an industry-wide multi employer Social Housing Pension Scheme which is administered by the Pensions Trust. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation for which information is available was in September 2005 which valued the scheme's assets at £1,278m. At this date the scheme had a total membership of 47,877. The valuation revealed a shortfall of assets compared with the value of liabilities of some £283m (equivalent to a past service funding level of 82%). The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

METHODIST HOMES FOR THE AGED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

17 Pensions and similar obligations (*continued*)

iv) Social Housing Pension Scheme (SHPS) (*continued*)

The financial assumptions underlying the valuation at 30 September 2005 were as follows

	%p a
- Investment return pre-retirement	7.2
- Investment return post-retirement	4.8
- Rate of salary increase to 30 September 2010	5.0
- Rate of salary increase from 1 October 2010	4.0
- Rate of pension increase	2.5
- Rate of price inflation	2.5

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers, accordingly, due to the nature of the scheme, the accounting charge for the period under FRS 17 represents the employer's contribution payable

The charge to MHA for the year covered 56 (2006: 61) employees. The contribution rate of MHA for the year ended 31 March 2007 was 12.4% and for the employees at rates varying between 4.1% and 6.1% depending on their age. This scheme has been closed to new entrants.

MHA has subsequently been notified of an update on the funding position of the scheme as at 30 September 2006. This indicates an increase in the assets of the Scheme to £1,515m and a decrease in the shortfall of assets compared with liabilities to £235m.

- v) The contributions by the Charity to all pension schemes during the year amounted to £811,000 (2006: £862,000)

18 Notes to the cash flow statement

(a) Reconciliation of net incoming resources to net cash	2007	2006
In flow from operating activities	£'000	£'000
Net incoming resources	10,218	7,041
Investment income	(463)	(453)
Interest payable	1,047	866
Gain on disposal of fixed assets	(165)	-
Depreciation charges	2,435	2,118
Increase in supported retirement housing stock	(4,505)	(893)
Increase in debtors	(3,200)	(1,070)
Increase in creditors	2,073	330
	<hr/>	<hr/>
Net cash inflow from operating activities	7,440	7,939
	<hr/>	<hr/>

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007
(continued)

18 Notes to the cash flow statement (continued)

b) Reconciliation of net cash flow to movement in net debt	2007 £'000	2006 £'000
Increase/(decrease) in cash	1,135	(718)
Cash outflow from increase in liquid resources and financing	(7,390)	(10,151)
Change in net funds resulting from cash flows	(6,255)	(10,869)
Increase in market value of current asset investment	113	374
Movement in net funds	(6,142)	(10,495)
Net debt at 1 April	(12,266)	(1,771)
Net debt at 31 March	(18,408)	(12,266)

c) Analysis of changes in net debt	1 April 2006 £'000	Cash flow change in year £'000	Change in Market value £'000	31 March 2007 £'000
Cash at bank and in hand	5,702	1,135	-	6,837
Loans	(21,000)	(8,000)	-	(29,000)
Current asset investments	3,032	610	113	3,755
	<u>(12,266)</u>	<u>(6,255)</u>	<u>113</u>	<u>(18,408)</u>

20 Parent undertaking

The Charity's parent undertaking is MHA Care Group, a company incorporated in England, registered charity number 1083994 and a registered social landlord with the Housing Corporation

The Charity has taken advantage of the exemptions not to disclose any transactions with its parent undertaking conferred by Financial Reporting Standard No 8 on the grounds that the Charity's results are included in the consolidated accounts of the parent undertaking