



**METHODIST HOMES REPORT
AND FINANCIAL STATEMENTS
31 March 2020**

Charity Registered No. 1083995
Company Registered No. 04043124

METHODIST HOMES

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BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2020

INTRODUCTION TO ANNUAL REVIEW

I am pleased to present Methodist Homes (MHA) Report and Financial Statements for 2019/20.

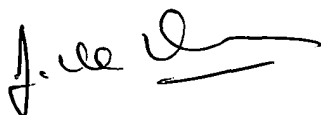
During the last twelve months, I have had the pleasure of visiting a further 21 of MHA's Homes and Schemes, meeting many wonderful residents, members, staff and volunteers and seeing first-hand the work we do to support older people. We do wonderful work that is particularly vital in these difficult times for the country. State support for older people is being steadily reduced in housing, Care Homes and in the community - at the very time that the need is increasing due to our aging population. So it is even more important that we play our part in enabling as many people as we can to live comfortable and fulfilled lives.

MHA was founded 76 years ago by the Methodist Church, fulfilling a Christian duty to care for all people no matter their faith or background. Today we serve over 19,600 older people across our 90 Care Homes, 70 Retirement Living communities and 62 Live at Home Schemes supported by 6,049 staff and 4,250 volunteers. Our founders can be proud of MHA's work today except I am sure they would be saying that we should do more! And there is much more to do.

One area which makes MHA's work different from others is the support we give through our Chaplaincy service. Chaplains are available to residents, families and staff in all our Care Homes and Retirement Living Schemes and we have been looking at how we can extend this into our Live at Home services, making sure we truly care for the mind, body and spirit of all the people we support. This has been particularly important during this time of national crisis due to the Covid-19 pandemic.

We launched our new five year strategy in 2019 and it is important for the success of this strategy that we continue on a firm financial footing. Although this strategy remains our long term focus we have had to change our immediate focus to deal with the effects that the current pandemic has had on our sector and on our services. These Financial Statements cover a period that ended just as the pandemic was taking hold and show we made a net income in 2019/20 of £15.6m (2019: £9.8m). Despite the pandemic we ended the year with a greatly improved cash position, largely due to the completion of a number of property sales.

The strategy launched in 2019 set the direction for our services for the next five years and beyond. The effects of the current Covid-19 pandemic have forced us to amend our immediate focus to ensure that we can continue to deliver quality services across all our services and the Board is committed to ensuring that we are in the best place to take the Charity forward into this next phase once we can be certain the current pandemic is over.



John Robinson
Chair of MHA Board

METHODIST HOMES

BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT

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The Trustees of Methodist Homes (MHA) present their audited report and financial statements for the Group and Company for the year ended 31 March 2020. The trustees confirm that the annual report and financial statements of the Charity comply with current statutory regulations, the requirements of the Charity's governing document and the provisions of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2019).

1. STRATEGIC REPORT

Who we are

MHA is an award-winning Charity providing care, accommodation and support services for older people throughout England, Scotland and Wales. We are one of the most well-respected care providers in the sector, providing services to older people since we were set up in 1943.

MHA includes the subsidiaries MHA Auchlochan Ltd, our Retirement Living village in Scotland; and Methodist Homes Housing Association Ltd, our registered social landlord. On the 7 January 2020 Silk Healthcare Holdings Ltd and its two subsidiaries were formally liquidated and removed from the Companies House Register. This followed the hive up of the trade and assets into MHA on 31st March 2019.

As well as residential, specialist dementia and nursing care, we provide community-based services through our Live at Home Schemes. We also support people to live independently in their own home in our Retirement Living Schemes.

Activities for achieving objectives, now and in the future

MHA's Board and its Executive Leadership Team continues to plan and build a future for the Charity so it can deliver its ambition to deliver more and better forms of support and life enhancing services for even greater numbers of older people. In doing this, MHA recognises it is building on the foundations of all that has been achieved in past years and, as has so often been demonstrated in MHA's history, that ambition serves as a challenge and an inspiration.

At the start of 2019/2020, a new five-year strategy for MHA was launched following a comprehensive strategic review the previous year.

The refreshed strategy – One MHA – was launched in April 2019 and has as its mission and vision:

As a charity, our mission is to enable people to live later life well.

By 2024, we will have connected our communities, realising our potential as One MHA – to increase the reach, impact and quality of care and support we provide to people in later life.

The One MHA strategy builds on MHA's history in serving the needs of older people. The principles that have served MHA and older people so well over the decades remain central. These are that MHA is a caring Christian-based organisation. It prioritises, operates and grows with a view to the long term; the quality of its services are of utmost importance and in order to maintain this we strive to be the employer of choice within our sector.

The vision brings together our operations activities, connecting Care Homes, Retirement Living and Live at Home in regions for greater collaboration, knowledge exchange and a stronger local offering to communities. This was strengthened further by the appointment of a new Director of Operations.

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Activities for achieving objectives, now and in the future (continued)

Sadly, by the end of the year, the coronavirus crisis had started to affect MHA's Care Homes and Retirement Living with care settings. As a result, the charity has been working on re-aligning its priorities to meet the challenges.

Aligned with the mission and vision, MHA has revised its values on which the organisation is based. These are:

Inspired by our Methodist roots, our values are to:

- *Respect every person, treating them with dignity;*
- *Nurture mind, body and spirit;*
- *Inspire the best in each other.*

MHA currently supports over 19,600 individuals:

- 4,464 older people living in 90 Care Homes, either in residential, nursing or specialist dementia care;
- 2,994 older people living independently in a range of purpose-built apartments in 70 Retirement Living schemes with flexible support and personalised care;
- 12,220 older people supported through 62 community-based Live at Home services, providing them with services such as exercise and activity sessions, trips out, befriending services and lunch clubs.

Our services are delivered by 6,049 dedicated staff and enhanced by the commitment of 4,250 volunteers.

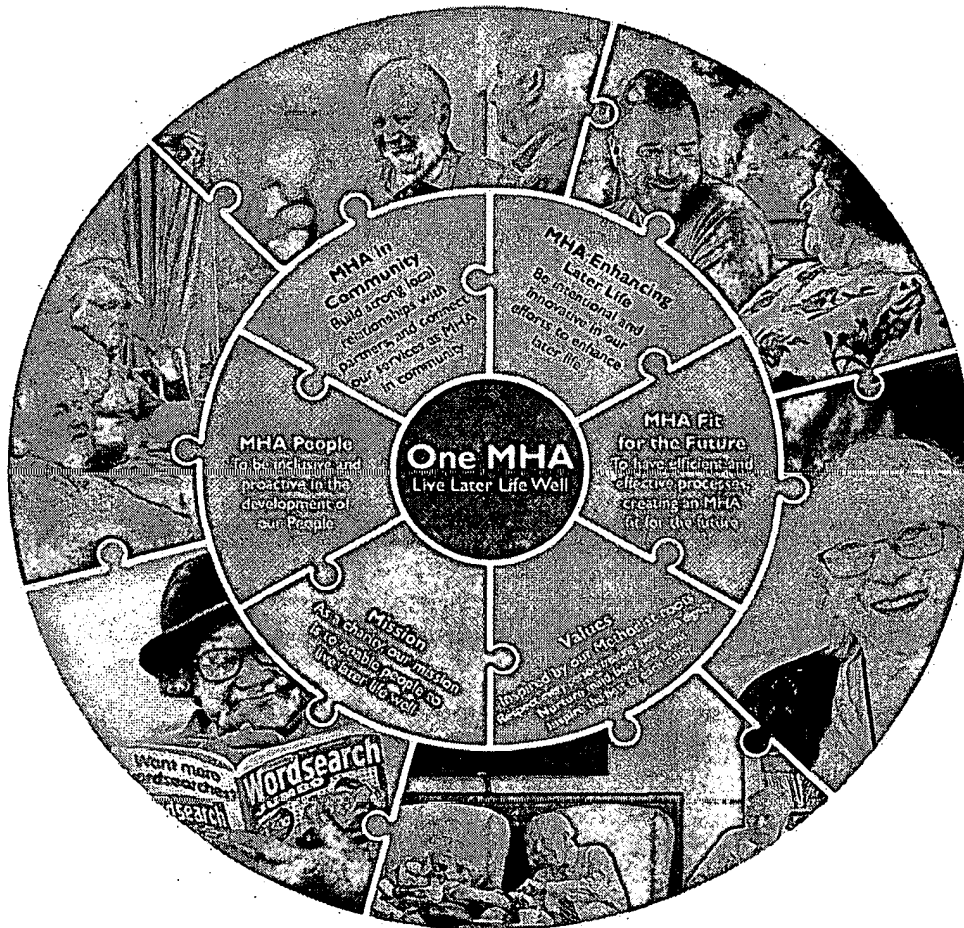
One MHA is underpinned by four strategic objectives – the first two sum up what MHA does while the others encompass how we will do it.

1. MHA in Community – build strong relationships, connecting our services as MHA in Community;
2. MHA Enhancing Later Life – to be intentional and innovative in our efforts to enhance later life;
3. MHA Fit for the Future – to have efficient and effective processes, creating an MHA fit for the future;
4. MHA People – to be inclusive and proactive in the development of our people.

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Activities for achieving objectives, now and in the future (continued)

This illustration shows how it all connects.



Underneath the objectives sit a series of work streams to help focus the work of MHA in supporting additional older people through growing our services across more communities.

Work to raise MHA's profile continued during 2019/20 with the Moments of Joy campaign to highlight our work in music therapy and the Words of Wisdom campaign launched in early 2020 aimed to give a voice to older people by sharing their advice to their younger self.

We continued our work to be recognised as the top charity for older people, leading the way in shaping policy and being the voice of older people. We aim to lead the 'Faith in Ageing' movement across all faiths.

Our Dementia Strategy was launched in October 2019, along with our first Equality, Diversity and Inclusion Strategy, which sets out our ambitions and plan of action to promote and advance equality of opportunity, diversity and inclusion throughout our organisation.

We measure our success in terms of the number of older people who benefit from our services, our resident satisfaction survey results and the quality of our services, all of which demonstrate how we are providing the right services, and in the right way, to support older people.

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Activities for achieving objectives, now and in the future (continued)

In 2019/20, MHA's overall satisfaction score in the independent 2020 'Your Care' Rating survey for care homes was 97% (2018/19: 97%). By the end of 2019/20, 89% (2018/19: 91%) of care homes and retirement living schemes inspected by the Care Quality Commission in England, the Care Inspectorate Wales and the Care Inspectorate in Scotland were rated as 'good' or 'outstanding' with ten settings now rated as 'outstanding' or equivalent.

To find out more about our work, visit www.mha.org.uk.

Public Benefit

The Board has due regard of the Charity Commission guidance on public benefit, in particular the requirement that public benefit can no longer be presumed but must be demonstrated. We are confident in our role as a charity delivering services to the public and meeting the Charity Commission's public benefit requirements now and into the future.

MHA aims for the highest standards in all its fundraising activities. We are registered with the Fundraising Regulator and are committed to complying with our fundraising promise. MHA's objective is to exceed the standards set by both the Fundraising Regulator and the Institute of Fundraising. We make sure our fundraisers, volunteers and any third party agencies comply with fundraising regulations and keep the fundraising promise for our supporters. MHA does not carry out telephone or door to door fundraising. All donations are used to support the life-enhancing work that MHA provides for older people.

MHA's person-centred care recognises each resident and member as a unique individual and addresses their own spiritual and physical needs, with both reassurance and support. Our services are open to all, as demonstrated by our care home residents being broadly split 59:41 into those that are fully self-funded and those that are partially or fully funded by the Local Authority or the NHS.

Our Care Homes, Retirement Living Communities and Live at Home schemes not only draw from our diverse communities but are diverse themselves. Opportunities are made available for all individuals to develop and practise their faith as they feel appropriate. Whilst our work is inspired by the Christian faith, we have always welcomed people from all religions or belief traditions. We encourage residents to maintain links with their own faith communities should they wish to do so.

For many residents, MHA will provide them with their last home. Our chaplains have a particular role in helping residents and their relatives approach their final years, hopefully with a sense of acceptance, peace and fulfilment.

MHA aims to support and care for people living with dementia with understanding and expertise. We focus on the individual needs of our residents with our person-centred approach and make sure everyone is able to lead a fulfilled and satisfying life, as outlined in our new Dementia Strategy.

MHA has a robust supplier qualification process when tendering new opportunities and this is also applied to existing suppliers. MHA will exclude suppliers who are unwilling to adopt legal obligations and the ethical position MHA has.

Critical supply chains remain within construction and temporary labour and we actively monitor suppliers in these, as all, categories. We continue to invest in robust technologies to support tendering, contract and supplier management and will use these technologies to help in our efforts to manage, educate and support our suppliers so that together we can drive out modern slavery from our supply chains.

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Public Benefit (continued)

MHA is fully committed to equality. We pay men and women equally for the same role. The gender pay gap shows the difference in average pay between all men and women in the workforce. MHA's analysis is very positive with a very small gap.

MHA's gender pay gap details are:

- The mean average gender pay gap is 9.8%;
- The median average gender pay gap is 8.6%;
- The mean average gender bonus gap is (22.4%);
- The median average gender bonus gap is 30%;
- 3.6% of male colleagues received a bonus;
- 6.6% of female colleagues received a bonus.

Men are slightly under-represented in the two lowest quartiles and slightly over-represented in the upper quartiles. MHA employ significantly more women than men, almost a 1:6 ratio which results in reasonably significant fluctuations from year to year.

MHA has a good record of commitment to equality and development of our people which we will continue.

Furthermore, MHA pays the real Living Wage for all as a minimum and this will have a positive impact of our gender pay gap going forward.

Significant Activities

The significant charitable activities undertaken by MHA are:

i. Care Homes

MHA runs 90 residential, dementia and nursing Care Homes offering 24-hour person-centred care and support for 4,464 residents in specially designed accommodation. www.mha.org.uk/care-homes.

ii. Retirement Living

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

iii. Retirement Living with Care

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

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

You can read more about these services at www.mha.org.uk/retirement-apartments.

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Significant Activities (continued)

iv. Live at Home

These 62 community-based schemes provide practical and social support to 12,220 older people living in their own homes, promoting independence and wellbeing through clubs, activities, and information and signposting services. www.mha.org.uk/community-support.

MHA is grateful for the support of its volunteers. Our volunteers help to significantly improve the quality of life for people living within our services. This help, includes befriending visits, supporting older people on social outings and trips and helping run activities such as crafts and keep fit classes.

To find out more about MHA, visit www.mha.org.uk.

2019/20 Achievements and Performance

The new One MHA strategy set the course for the charity's work in 2019/20, with its work streams helping focus developments.

Pilots of MHA in Community to bring closer together all three services were started in the Leeds and Mendip areas of the country.

The quality of MHA's services continued to be high throughout the year with four more 'outstanding' inspection reports bringing the total number of top rated homes and extra care housing services run by MHA to ten.

The latest homes to receive the top rating from the Care Quality Commission were Queens Court care home in Bottisham, Cambridge, Mapplewell Manor care home in Barnsley and Horfield Lodge in Horfield, Bristol, while Starr Hills care home in Lytham St Annes kept its 'outstanding' rating on re-inspection.

Additionally, Mickle Hill retirement living village in Pickering, North Yorkshire, has become MHA's first extra care housing community to receive an 'outstanding' report from CQC.

In total, just under 90 per cent of MHA's services inspected are rated as good or outstanding by regulators in England, Scotland and Wales, one of the highest in the sector.

A new brand for MHA was introduced in October 2019 and will be rolled out across the organisation in a three-year programme.

The community-based Live at Home schemes exceeded 12,000 members and continued to build on the number of services offered to older people living independently in their own community but who are often socially isolated.

Two new schemes opened during the year, one in Southampton and one on the Nottinghamshire / Derbyshire borders. Our schemes in Bath and Midsomer Norton were merged to form a new scheme covering the broader Mendip District. Additionally, Selly Oak and Blackheath were merged to form South & West Birmingham.

In addition, funding was secured to expand services in a number of existing Schemes from local authorities, Clinical Commissioning Groups (CCG), trusts and Lottery funding.

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2019/20 Achievements and Performance (continued)

Significant levels of funding were received from Leeds City Council to continue the development of our 5 Leeds City Centre Schemes, from the Longleigh Foundation to develop Huddersfield and from Hampshire County Council to further the reach and breadth of delivery from our 11 schemes covering each of the 11 Hampshire Districts.

Members at all Live at Home Schemes are encouraged to be actively involved in the day-to-day running of the scheme, helping agree on activities and events.

Recent developments at Wellesley Court in Waterlooville, Mickel Hill in Pickering and Nethanvale at Auchlochan Garden Village in Scotland continue to develop vibrant communities as properties become occupied.

MHA maintained its 97% satisfaction with overall standard of care home in the independent Your Care Rating survey with the family and friends score rising to 97%. MHA was once again named a Top 20 care provider by carehome.co.uk based on reviews submitted by residents and relatives.

'Moments of Joy' highlighted MHA's music therapy service through a campaign launched on BBC's Music Day 2019. The charity's 24 music therapists hosted special events in care homes to highlight the campaign, which looked at how music therapy can bring moments of joy to people living with dementia. In addition, the service was also included in the award-winning BBC One documentary *Our dementia choir with Vicky McClure*. Music therapists work in 65 specialist dementia care homes. In 2019/20, 1,048 residents received music therapy with 3,857 hours spent delivering one-to-one sessions.

Another campaign to highlight the work of MHA was Words of Wisdom, in which residents and members shared their advice for their younger self or their young people today.

Named after MHA's founder, the Walter Hall Lecture has been designed as an annual event aimed at exploring the future challenges for the care and support of older people. The inaugural event was given by former Government Minister and life peer Lord David Willetts, the current Executive Chair of The Resolution Foundation Intergenerational Commission.

Worship Engagement in Later Life (WELL) training events were developed to support local people leading worship for older people, either in church or in a place of care. It included guidance on how to lead services in a context of mixed cognitive ability and a demonstration of 'Biblical Yoga, developed by an MHA chaplain to help bring Bible stories to life.

MHA was set up by the Methodist Church in 1943 and its relationship was strengthened when an Expression of Commitment to demonstrate the two organisations working together was signed by MHA's Chair of Trustees and the Chair of the Methodist Council.

As an employer, MHA needs to make sure it continues to attract a high calibre of person with the right attributes and values to care for our residents and members. To enable MHA to do that, the Board agreed to continue paying the Real Living Wage as a minimum for all staff. We believe that improving pay and benefits will enable us to continue to attract and retain a committed team of colleagues for the benefit of residents within our homes and schemes. We know that the quality of care and residents' wellbeing is positively impacted when we are able to provide continuity of carers.

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2019/20 Achievements and Performance (continued)

MHA continues to work closely with the Association of Retirement Care Operators (ARCO) – of which we are a founding member – to improve the clarity and quality of materials provided to prospective residents in our Retirement Housing. We are delighted that all our schemes assessed so far against the ARCO consumer code are compliant.

You can read more about MHA's work at www.mha.org.uk or by following us at www.facebook.com/MethodistHomes and on Twitter @MethodistHomes. In addition, many of our homes and schemes have their own Facebook and Twitter accounts.

The following KPI's illustrate the MHA settings maintained:

	2020	2019
Number of Care Homes	90	90
Number of Care Home Places	4,876	4,876
Number of Retirement Living Communities	70	70
Number of Retirement Properties Served	2,829	2,827
Number of Live at Home Schemes	62	62
Number of Supported Older People in Live at Home Schemes	12,220	11,075
Volunteer Engagement at Live at Home Schemes	2,319	2,572

Future Developments

During March 2020 the new strategy launched in May 2019 was paused to enable the Charity to focus on managing the Covid-19 pandemic as its effect was felt across the nation. During this time the strategic goal of the Charity is to respond to the Covid-19 emergency and manage MHA's resources to safeguard the wellbeing of residents, scheme members and staff.

The Covid-19 emergency was ongoing as these financial statements were prepared.

Financial Review

The Statement of Financial Activities shows total incoming resources of £251,238,000 (2019: £245,759,000), a 2% increase on the previous financial year which is largely a result of increased charitable activities within the Care Homes.

The surplus generated by our Care Homes has benefitted from continuing high occupancy levels, robust average weekly fees and benefits achieved through cost consciousness within the organisation. As with our competitors, high turnover in front line staff, particularly Nurses remains one of the key challenges for MHA.

The other main challenge is the pressure on margins due to continuing local authority and NHS austerity.

We have been investing in developing vibrant communities within Retirement Living settings which deliver the services that our resident's desire. The flexibility we offer in our terms, and the option of renting, buying, or a combination, are key to the service.

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Financial Review (continued)

We are grateful for the generous donations received of £4,219,000 (2019: £5,071,000) which have contributed towards:

- Providing chaplaincy services in all our residential services;
- Providing music therapy in our dementia care services;
- Underpinning the Live at Home services;
- Contributing towards the capital costs of our new and existing services.

The net increase in funds of £15,638,000 is added to the total balances brought forward of £286,890,000.

Key Performance Indicators for the group		
	2019/20	2018/19
	Actual £'000	Actual £'000
Total income	251,238	245,759
Operating costs excluding exceptional costs	235,676	233,770
Exceptional costs	518	2,174
Surplus for the year (after investment gains and losses)	15,044	9,815
<i>Service users capacity</i>	Number	Number
Care Homes	4,876	4,876
Number of Retirement Living Properties	2,829	2,827
Community services	12,220	11,075
<i>Occupancy</i>		
Care Homes	91.6%	92.3%
Retirement Living	90.8%	89.5%
Cost of fundraising to voluntary income	16.9%	9.8%

The Directors consider the market value at 31 March 2020 of the Freehold and Leasehold land and buildings to be in excess of the costs or valuation as stated in note 13 to the financial statements, based on independent valuations.

Exceptional items in the current year constitute costs relating to the termination of a project to implement a new housing management system of £295,000 and the write off of £223,000 relating to the Deferred Tax asset transferred following the hive-up of assets from the Silk Group which is no longer recoverable.

Exceptional items in the previous year constitute £1,177,000 prior year costs, £673,000 in year costs and £324,000 committed costs relating to recognised software, employee and administration costs expensed as part of Cold Harbour Care Home administration system project following the decision taken in the year to no longer proceed with the software solution.

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Reserves Policy

The Board of Directors has undertaken their annual review of the level of reserves which should be maintained within the Group. Such reserves are needed to cover, for example, working capital, future property repairs, the risk of possible shortfalls in charitable income and other contingencies.

The Board considers that minimum unrestricted reserves of cash and investments of approximately £12,500,000 (2019: £12,500,000) are needed to cover such items, and to enable the Group to continue to operate to meet its charitable objectives. Actual unrestricted cash reserves were £35,035,000 (2019: £32,068,000).

Since MHA is confident that it can meet the required pension contributions from projected future income without significantly impacting on its planned level of charitable activity, it continues to calculate its 'free' or general reserves without setting aside designated reserves to cover the pension liability.

The Directors are satisfied that there are sufficient reserves to meet pension liabilities arising from the MHA defined benefit scheme, which was closed to new entrants on 31 March 2010.

Treasury Management Policy

The policy covering treasury management functions incorporates the different types of funds held. These are:

- General funds to provide working capital in line with the reserves policy;
- Restricted funds (excluding Live at Home and Amenity Funds);
- Permanent endowment funds.

The management of investments is delegated to the Central Finance Board. Performance of investments is reviewed annually by the Board and is judged to be satisfactory. Investments are held in equities, fixed interest deposits and cash totalling £1,315,000 (2019 £1,316,000) at the balance sheet date.

Principal Funding Sources

MHA has fully drawn loan facilities with the Allied Irish Bank, balance at 31 March 2020 being £24,282,000 and Barclays Bank Plc balance at 31 March 2020 being £70,000,000.

Methodist Homes Housing Association Ltd has a loan facility with the Nationwide Building Society to draw up to £5,000,000 which was utilised in the year, the balance at 31 March 2020 being £2,840,000, and a loan facility with Capita totalling £1,138,000 as at 31 March 2020.

The MHA Auchlochan Ltd loan facility with the Allied Irish Bank was fully paid off during the year.

Fixed asset additions of £16,895,000 were financed mainly by existing reserves. This expenditure enables us to redevelop existing properties to maintain to existing and meet new standards.

As part of Care Home operations, MHA operates 28 (2019: 28) leased homes, which have been established via sale and lease back arrangements.

Going Concern and Covid-19

At the date of signing these financial statements, the world is still battling Covid-19. Although measures have eased and mortality rates have reduced, as yet there is no vaccine and no certainty that there won't be further waves of infection.

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Going Concern and Covid-19 (continued)

Throughout this unprecedented situation, the Executive Leadership Team (ELT) enacted a crisis management framework based on the principles of critical incident management used by the UK Government and the NHS and referred to as a GSB command: Gold (strategic), Silver (tactical) and Bronze (operational). The ELT were joined by MHA's clinical infection control leads as well as other key members of the organisation.

During the pandemic, MHA followed Government and Public Health (PH) advice to protect the safety of our residents and colleagues. Alongside daily meetings to monitor and manage the Covid-19 pandemic's impact on our Homes and Schemes there has been constant monitoring of all relevant Government, Department of Health and Social Care (DHSC) and PH guidance released in response to Covid-19.

A significant part of MHA's clinical response to Covid-19 has been ensuring our colleagues and residents in Homes and Schemes have access to appropriate PPE such as masks and gloves. MHA has procured appropriate amounts of PPE to ensure that all our Homes and Schemes have the appropriate equipment, as designated by Government and PH guidelines and that this is available in appropriate quantities to all relevant colleagues.

MHA recognises the additional burden that the Covid-19 pandemic has placed on our frontline care colleagues, and those that support the Homes and Schemes. In response to this we have implemented a three tiered approach to ensure our colleagues' wellbeing. Alongside this, all colleagues and volunteers have access to our employee assistance programme, which provides free and confidential information and support.

MHA has also paid colleagues who have needed to self-isolate or shield due to Covid-19 at an enhanced rate of Statutory Sick Pay, if not their normal wage.

MHA knows that testing of our residents and colleagues is a critical part of an effective response to the spread of Covid-19 and has been vocal in lobbying for widespread testing within the social care sector. MHA has been involved in testing pilot schemes as well as utilising testing made available through PH, the CQC, and local authorities.

As a key part of MHA's response strategy to the Covid-19 pandemic, a comprehensive Covid-19 specific risk register has been produced in conjunction with all senior management in MHA. This identifies Covid-19 specific significant risks, both immediate and longer term, and the actions which have been taken to mitigate these risks. The risk register is reviewed by MHA's Gold command team on a regular basis to ensure the GSB command teams remain focused on the most significant risks faced by MHA.

A key risk to the social care sector is financial sustainability and unfortunately despite our strong financial position at the beginning of the pandemic, MHA is not immune to that risk. Occupancy is being monitored constantly yet, despite our best efforts, we have seen our occupancy reduce over the course of the pandemic with higher mortality rates than we have experienced historically. On this basis and in light of external analysis forecasting a long term occupancy issue, one of the key areas of focus for the organisation is on mitigating actions to sustain the ongoing financial sustainability of the organisation. These include:

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Going Concern and Covid-19 (continued)

- Opportunities to increase income, particularly through recovery of care homes occupancy levels as well as other income diversification opportunities;
- Reducing costs where feasible;
- Investigating Government Covid-19 specific facilities and initiatives to alleviate cash flows.

MHA has undertaken significant financial scenario and sensitivity analysis, modelling various plausible scenarios including a severe but plausible scenario. These scenarios take into account various assumptions including levels, of occupancy, weekly fee levels, costs of protective and testing equipment and the impact of a second wave of Covid-19. None of the scenarios modelled result in either liquidity shortfalls or covenant breaches at the specified measurement dates; as such MHA is comfortable with its ongoing financial sustainability with no reasonably plausible circumstances on the horizon that undermine that position. MHA has existing loan facilities that include a £70 million loan to March 2025 and a £25 million undrawn RCF to February 2023, both with Barclays, and a £24 million loan with AIB to December 2030.

Whilst the ELT and directors do not consider it likely based on current information if performance was to be significantly adverse to our latest forecasts (as described above) for a considerable period of time there could be a substantial impact on MHA's surplus generation and cash flows which could potentially put the organisation at risk of breaching the financial covenants on our loans. As a consequence, MHA would require support from the banks by means of a covenant waiver or deferral. Whilst the ELT believe that the Group would continue to have the support of the banks in these circumstances there is no certainty that this would be the case.

Furthermore, MHA has been successful in its application for short term liquidity support from the Government in the form of the Covid Corporate Financing Facility (CCFF) which gives MHA the ability to utilise £100m of short term debt if required. This facility further assures MHAs financial sustainability.

Based on our financial scenario modelling and latest forecasts, ELT and the Board feel it remains appropriate to continue to prepare the financial statements on a going concern basis.

These financial statements do not include any benefits of accessing any Government and Local Authority funds made available to support the Care Sector during the pandemic.

Risk Management

Aside from the risks associated with Covid-19 the Board oversees strategic risk and reviews this on an ongoing basis as the external environment evolves. Risk control is exercised appropriately by the ELT carrying out a formal half yearly review of strategic and operational risks for their areas.

The key risks likely to affect the Group's ability to meet its objectives include:

- Impact of state funding available in the care and housing sector - Local Authorities continue to pay care and nursing home fees at a level which falls short of that which is required to deliver quality care for older people at the same time as costs continue to rise. Management monitors the levels of funding on a monthly basis and report these to the Board, who take appropriate commercial and pricing decisions to protect the Charity.
- Brexit – the continuing process, negotiations and eventual outcome are likely to have a range of impacts; specifically inflation and potential tighter restrictions on EU citizens living and working in the UK, bringing increased pressures on recruitment and staffing.

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2020**

Risk Management (continued)

- Workforce - the national shortage of nurses is expected to continue and likely to be exacerbated by restrictions on recruitment from abroad, fewer people training as nurses and an ageing workforce. Recruitment of non-nursing staff will continue to be competitive and while the introduction of the Apprenticeship Levy offers opportunities for MHA to build career pathways into recruitment, it does so at a cost to MHA of more than £500,000 a year. National Living Wage - our approach to staff pay and benefits package has been targeted at the lowest paid among our frontline staff, hence our ongoing dedication to the Real Living Wage as a minimum. The Board sets pay policy through agreement of the annual pay review process.
- Reputational risk - the management of quality is a high priority for MHA. We have an internal system of risk monitoring that focuses on key factors that might indicate potential quality concerns, which are then investigated. The Board is regularly appraised of the results of this monitoring and associated actions. A poor reputation can undermine confidence of supporters and lenders.
- Change management - MHA operates within a dynamic sector and has adopted an integrated approach to managing cultural, process and systems change.
- Fundraising/Charity - the 'individual donor' market continues to face scrutiny and criticism which has led to further regulation and increased donor suspicion.
- Final salary scheme funding - A funding plan for payments to reduce the deficit has been agreed and payments are being met as they fall due. The Board receives ongoing professional advice on the management of the pension scheme and the mitigation of risk.

The annual Budget is recommended by the Finance and Capital Expenditure Committee to the Board and monitored regularly by the Executive Leadership Team. Financial performance is reported to the Finance and Capital Expenditure Committee for further scrutiny. Key areas of risk that impact the Group's operations include the management of working capital and MHA has a policy of maintaining cash reserves to mitigate this risk. The Group takes a risk-averse approach to the effect of interest rates on its borrowings and has entered into appropriate hedging.

Directors Duties

The Directors of MHA, as those of all UK companies, must act in accordance with a general set of rules. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of all of its stakeholders as a whole, and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, residents and others;
- the impact of the company's operations on the community and environment; and
- the desirability of the company maintaining a reputation for high standards of business conduct.

As part of their induction, Directors are briefed on their duties and they can access professional advice on these either through the Company Secretary, or if they judge necessary through independent professional advisors.

METHODIST HOMES

BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT

31 MARCH 2020

Directors Duties (continued)

As is typical in charities and large organisations, the Director's fulfil their duties partly through a governance framework that delegates day-to-day decision-making to an Executive Leadership Team. Further details can be found in the Governance Report on pages 21 to 25.

The following summarise how the Directors' fulfil their duties:

- **Our People** - Our employees are fundamental to the delivery of our One MHA strategy, one objective of which is to be inclusive and proactive in the development of our people. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. Communication and consultation takes place with employees across the organisation and at all levels with a variety of communication and feedback tools being used to ensure that employee views are taken into account when decisions are made that are likely to impact them.
- **Business Relationships** - MHA applies robust qualification processes for suppliers and excludes any suppliers from the tendering processes who do not comply with the legal and ethical standards that MHA demand. MHA has developed excellent relationships with suppliers in all key supply chain areas with formalised supply contracts and utilisation of technology to facilitate the tendering, contract and management of supplies.
- **Community and Environment** - Through the One MHA strategy, MHA has the objective to build strong relationships with partners and connect our services as MHA in community. The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable our people to support the communities around us.

Streamlined Energy and Carbon Reporting (SECR)

The following is a summary of the energy usage, associated emissions, energy efficiency actions and energy performance for Methodist Homes, under the government policy Streamlined Energy & Carbon Reporting (SECR), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Consumption (kWh) and Greenhouse Gas emissions (tCO₂e) Totals

The following figures make up the baseline reporting for MHA, as 2019/20 is the first year that the MHA are required to report this information.

- **Scope 1:** consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets, and grey fleet.
- **Scope 2:** consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day to day business operations.

METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2020

Streamlined energy and carbon reporting (SECR) (continued)

Totals

The total consumption (kWh) figures for energy supplies are as follows:

Utility and Scope	2019/20 Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	26,546,906
Gaseous and other fuels (Scope 1)	75,346,959
Transportation (Scope 1)	1,477,065
Total	103,370,930

The total emission (tCO₂e) figures for the energy supplies are as follows:

Conversion factors utilised in the calculations are detailed in the reporting methodology:

Utility and Scope	2019/20 Consumption (tCO₂e)
Grid-Supplied Electricity (Scope 2)	6,785.9
Gaseous and other fuels (Scope 1)	14,045.4
Transportation (Scope 1)	353.4
Total	21,184.7

Intensity Metric

An intensity metric of kgCO₂e per m² has been applied for the annual total emissions. The methodology of the intensity metric calculations are detailed below and results of this analysis is as follows:

Intensity Metric	2019/20 Intensity Metric
kgCO ₂ e /m ²	64.8

Methodist Homes operations have an intensity metric of 64.83kgCO₂e/kWh per m² occupied floor area

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2020**

Streamlined energy and carbon reporting (SECR) (continued)

Energy Efficiency Improvements

MHA are committed to year on year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available has been compiled, with a view to implementing these measures in the next 5 years.

Measures ongoing and undertaken through 2019/20:

- Heating plant - Improvements to heating plant were undertaken throughout 2019/20 to 16 properties. These included full and partial boiler replacements, new water cylinders and calorifiers. This has improved plant efficiency and reduced energy usage on site.
- Improvements to renewable technologies - Inverter replacements took place for a Solar PV installation to ensure maximum system output and generation. New inverter lifetimes will ensure the system is working optimally for the next 10+ years.
- LED lighting - LED replacements took place over 22+ sites with partial and full roll outs improving light levels, reducing energy usage and carbon whilst also minimising future maintenance.
- Recycling policy implementation - MHA have within all sites implemented rigorous recycling measures for all wastepaper and plastics resulting from operations. They have also introduced additional measures to ensure that food waste produced is recycled suitably.

Measures prioritised for implementation in 2020/2021:

- Renewable heat implementation -MHA are investigating renewable heating options for Auchlochlan retirement village and are currently completing site feasibilities with a look to implement a renewable heating replacement within the next reporting period.
- Lighting replacement policy - A comprehensive replacement policy for lighting is being implemented throughout the portfolio. This ensures that when lighting is replaced, the replacements are of an energy efficient LED standard.
- Energy and Environment Strategy - MHA are working towards implementing an Energy and Environment strategy that ensures ongoing energy and carbon reductions over the coming years in line with the UK's 2050 net zero targets.

Reporting Methodology

Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used:

- Database 2019, Version 1.01.
- Estimations undertaken to cover missing billing periods for properties directly invoiced to MHA were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 11.6% of reported consumption.

METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2020

Streamlined energy and carbon reporting (SECR) (continued)

- A number of meters required estimations for the full reporting year based on average annual kWh values of similar meter classes, calculated at meter level and applied to the properties with no available data.
- These full year estimations were applied to 320 electricity supplies and 20 gas supplies for MHA.
- Intensity metrics have been calculated utilising the 2019/20 reportable figures for the following metrics, and tCO₂e for both individual sources and total emissions were then divided by this figure to determine the kgCO₂e per metric:
 - Total occupied m² - 326,757m²

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2020**

2. STRUCTURE, GOVERNANCE and MANAGEMENT

Governing Document

Methodist Homes (MHA) is a company limited by guarantee (Companies House No. 4043124) and a registered Charity (Registered Charity No. 1083995). It is governed by its Memorandum and Articles of Association dated 31 March 2011.

Methodist Homes is the parent company of two connected charitable organisations Methodist Homes Housing Association Ltd and MHA Auchlôchan Ltd.

Organisational Structure

The Board consists of up to fifteen Board Members, one of whom is nominated by the Methodist Church. Board Members decide the strategic aims of the Charity and hold Management to account in performing executive functions. Decisions are taken in accordance with the instructions laid down in the Charity's Authorities and related policy documents.

The Board undertook a restructure of its committees during the year and now has the following committees, all of which have a group-wide remit. The work of each committee in respect of the year is summarised below:

Audit and Risk Committee

- Undertook a self-review of its terms of reference and method of operating to ensure that they are appropriate and relevant to the current financial reporting and governance environment;
- Considered key accounting judgements made by the Executive Leadership Team in the 2019 and 2020 financial statements;
- Challenged and supported the Executive Leadership Team to consider key risks for MHA, together with mitigation plans. This led to the development of a summary of key risks by the Executive Leadership Team which has now also been approved by the Board as a whole;
- Reviewed the work of our external statutory auditors, PricewaterhouseCoopers LLP, including their independence and non-audit services provided;
- Reviewed the work of our tax advisors, Deloitte LLP, following their appointment last year;
- Agreed a programme of work with the internal auditor, BDO LLP, and received reports on the audits undertaken.

Finance and Capital Expenditure Committee

The Finance Committee and Property Committee were combined to form the Finance and Capital Expenditure Committee which undertook the following:

- Revised the terms of reference to ensure they covered the full remit of the new committee and obtained approval of the Board;
- Reviewed financial performance, comparing management account actuals to forecast and budget including cash flow; scrutinised the forecasting process;
- Reviewed the financial aspects of the business plan, alongside the longer term cash needs compared to funding plans;
- Evaluated the annual budget for recommendation to the Board including planned capital expenditure and agreed the programme of work with the Executive Leadership Team;

**METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
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Finance and Capital Expenditure Committee (continued)

- Reviewed the funding strategy and recommended it to the Board, assessing bank facilities and the adequacy of available funding;
- Reviewed investment policies including our stance on ethical investments, the performance of investments and the investment managers;
- Monitored and reviewed the pension schemes and the performance of the fund managers as well as the asset allocation for the final salary scheme;
- Brought to the Boards' attention material financial issues on a timely basis;
- Reviewed that all fundraising activities were ethical and compliant.

Operations Committee

The Operations Committee replaced the Quality Committee as it was felt that there needed to be a wider consideration of all operational areas. The committee undertook the following:

- Reviewed its terms of reference to ensure they covered the wider remit and obtained the approval of the Board;
- Oversaw how MHA worked to maintain and improve quality; how it has addressed and is learning from issues of concern raised by internal and external assessments, complaints and unexpected events;
- Oversaw the delivery of improvement plans for those homes and schemes which required improvement;
- Monitored the external environment for our regulated services; working to continually develop our own definition of quality;
- Continued the tracking of health and safety issues, fire safety and infectious disease reporting, as well as coroner inquiries into deaths in our care. There have been a number of complex cases during the year with important lessons for our practice;
- Reviewed the significance for practice of safeguarding incidents for which MHA has a low threshold for reporting. All incidents are reported;
- Ongoing tracking of MHA success in the recruitment and retention of staff as well as the quality of leadership offered by our registered managers.

Nominations Committee

- Determined, on behalf of the Board, the remuneration of the Executive Leadership Team based on market rates;
- Oversaw the delegated responsibilities for ensuring good governance of the Charity and identified and proposed new Board Members;
- Oversaw the restructure of Board committees and their membership.

The Board delegates authority for day-to-day management to the Executive Leadership Team. Whilst the Executive Leadership Team may have the title of Director they are not Statutory Directors. References within this report to Directors refer to Board Members with statutory responsibilities. Board Members receive no remuneration.

Election, Appointment and Training of Board Members

Board Members are appointed by the Board through an open recruitment process led by the Nominations Committee and it follows Charity Commission guidelines in making sure there is an appropriate range of skills, knowledge and experience among its members.

METHODIST HOMES

BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT

31 MARCH 2020

Election, Appointment and Training of Board Members (continued)

The Chair is eligible to serve for one term of four years. Board Members are eligible to serve for three terms of three years. The maximum term of office for any Board Member is nine years, subject to re-election during that period.

The Church Nominee is nominated in conjunction with the General Secretary of the Methodist Church and/or their representative, and reported to the Conference of the Methodist Church.

New Board Members receive full induction which includes our Code of Conduct, constitutional documents, Board Manual, policies and information relevant to the work of the Charity. All Board Members visit services and further develop understanding of the work of the organisation as well as appropriate training. A full training programme has been implemented on a rolling basis to ensure all Trustees remain up to date with all regulatory regimes that apply to the Charity's work. Insurance has been taken to indemnify Board Members against liability for wrongful acts which was in place throughout the financial year.

Members who served on the Board during the year are shown in the list of officers on page 26.

Patrons

We would like to take this opportunity to thank our Patrons - Baroness Kathleen Richardson of Calow, OBE; broadcaster and writer Pam Rhodes and Dame Denise Platt. Their support is invaluable in raising the profile of MHA and its work, helping it to reach out to more elderly people in need. Supporting national events and backing high profile appeals helps us generate essential charitable income. The time and contribution given by our Patrons is greatly appreciated.

Connected Companies

During the year to 31 March 2020 Methodist Homes worked closely with two associated charitable organisations:

Methodist Homes Housing Association Ltd (MHHA) - subsidiary undertaking

MHA Auchlochan Ltd (MHAA) - subsidiary undertaking

Colleagues

MHA is fortunate in employing colleagues who share our values and provide an exceptional service to older people. We are careful in our recruitment and committed to retaining good colleagues through rewards, training, personal development and career opportunities, flexible benefits and engagement. We are grateful for the contribution and work of all colleagues, who together, make a real difference to the lives of older people.

We have a commitment not to discriminate against any person or group on any basis which underpins our policies and actions. We are open to all and actively support those with disabilities giving full and fair consideration at recruitment and support throughout employment. MHA continues to work to reflect the diversity of the local population.

Statement of Board's Responsibilities

The Board Members (who are also directors of Methodist Homes for the purposes of company law) are responsible for preparing the Board of Directors' Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2020

Statement of Board's Responsibilities (continued)

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the charitable Group for that financial year. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015) and the Housing Statement of Recommended Practice;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

Internal Financial Controls Assurance

The Board is responsible for the Group systems of internal financial control. Such systems can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board and Executive Leadership Team are reviewing the controls around key risks, which will evolve as the sector environment changes.

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

- Control environment and procedures - the Board has approved the Executive Leadership Team delegation document, giving clear management responsibilities in relation to financial control and limits to management discretion. Financial processes are supervised by staff with appropriate experience and qualification;

METHODIST HOMES
BOARD OF DIRECTORS' REPORT INCLUDING STRATEGIC REPORT
31 MARCH 2020

Internal Financial Controls Assurance (continued)

- Risk Management - the Board has adopted financial strategies, designed to identify and control significant risks facing the organisation. All significant initiatives and capital investments are subject to formal authorisation procedures;
- Management Information - the Board approves a rolling plan annually, which incorporates an annual budget and receives regular financial and management reports that identify variances from budget and key financial indicators;
- Monitoring systems - the Board has an Audit and Risk Committee, which reviews reports from management, external auditors and internal control assessments to provide reasonable assurance that control procedures are in place and being followed. The Committee makes regular reports to the Board.

The Board has reviewed the effectiveness of the system of internal control for the year ended 31 March 2020 and until the date of approval of the financial statements. No weaknesses were found that resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements.

Statement as to Disclosure of Information to Auditors

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

- (a) so far as the Trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he/she has taken all the steps that he ought to have taken as a Trustee in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the Annual General Meeting.

The report of the board including the Strategic Report was approved on 2nd September 2020 and signed on its behalf by:



John Robinson

Chair
Epworth House, Stuart Street
Derby
DE1 2EQ

**METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2020**

Reference and administrative details

Patrons

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

Board

	Term of Office	Committee Memberships
	Start	Finish
John Robinson (Chair)	Aug 2017	Nominations Committee

Other Board Members:

David Hall	Aug 2013	Sep 2019	Nominations Committee & Audit and Risk Committee
Norman Mann	Aug 2014	Sep 2019	Audit and Risk Committee
Hilary Cocker	Aug 2014		Operations & Nominations Committees
Ian Ailles	Nov 2014		Finance and Capital Expenditure Committee
Andrew Cozens	Aug 2015		Operations & Nominations Committees
Bala Gananpragasam	Aug 2015		Quality Committee
Debbie Aplin	Aug 2015	Sep 2019	Finance and Capital Expenditure Committee
Vanella Jackson	Aug 2015	Sep 2019	Finance and Capital Expenditure Committee
James Reilly	July 2016		Quality & Audit and Risk Committee
Martin Burkitt	Oct 2016		Audit and Risk Committee & Finance and Capital Expenditure Committee
Ruth Gee	Apr 2019		Nominations & Operations Committees
Lisa Commame	Apr 2019		Finance and Capital Expenditure Committee
Janet Haugh	Apr 2019		Audit and Risk Committee
Keith Hickey	Apr 2019		Audit and Risk Committee

Executive Leadership Team

Name	Appointed	Resigned	Position
Anna Marshall-Day	2006		Director of People & Organisation Development
Annie Webber	2013	2019	Director of Quality
Simon Monaghan	2018		Chief Executive
Mark Terry	2015	2019	Director of Finance
Rev Dr Chris Swift	2017		Director of Chaplaincy & Spirituality
Mandy Mottram	2018		Company Secretary/General Counsel
Andrew White	2019		Director of Property
Daniel Ryan	2019		Director of Operations
Victoria Parkinson	2020		Director of Finance

METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2020

Company Secretary

Mandy Mottram

Registered Office

Methodist Homes
Epworth House
Stuart Street
Derby
DE1 2EQ

Tel: (01332) 296200

Fax: (01332) 296925

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

Charity Registered Number - 1083995

Company Registered in England and Wales Number - 4043124

Professional Advisors

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
B3 2ES

External Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Bankers

Barclays Bank Plc
Corporate Banking
1, Churchill Place
Canary Wharf
London
E14 5HP

HSBC Plc
70 Pall Mall
London
SW1Y 5EZ

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

METHODIST HOMES
BOARD, OFFICERS AND ADVISORS
31 MARCH 2020

Professional Advisors (continued)

Bankers (continued)	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW
Tax Advisors	Deloitte LLP Four Brindley Place Birmingham B1 2HZ
Internal Auditors	BDO LLP 2 Snowhill Birmingham B4 6GA

Independent auditors' report to the members of Methodist Homes

Report on the audit of the financial statements

Opinion

In our opinion, Methodist Homes' Group financial statements and parent charitable Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent charitable Company's affairs as at 31 March 2020 and of the Group's and parent charitable Company's incoming resources and application of resources, including its income and expenditure, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position and statement of financial position (parent company) as at 31 March 2020; the consolidated statement of financial activities, the consolidated cash flow statement for the year then ended; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and parent charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent charitable Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and,

accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Board of Directors' Report including Strategic Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Board of Directors' Report including Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Board of Directors' Report including Strategic Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and parent charitable Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in Board of Directors' Report including Strategic Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Boards' responsibilities set out on pages 23-24, the trustees (who are also the directors of the charitable Company for the purposes of company law) are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Group's and parent charitable Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group and parent charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any

other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent charitable Company or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the parent charitable Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
2nd September 2020

METHODIST HOMES
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31st March 2020

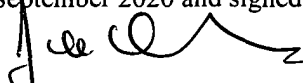
	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020 £'000	Total 2019 £'000
Income and endowments from:						
Donations and legacies	2.a	1,576	2,643	-	4,219	5,071
Charitable activities						
Homes		200,673	180	-	200,853	189,234
Retirement Living		41,498	35	-	41,533	47,727
Live at Home		16	3,250	-	3,266	2,377
Other		1,082	-	-	1,082	1,189
Total charitable activities	3.a/6.a	243,269	3,465	-	246,734	240,527
Investments	4.a	257	20	8	285	161
Total		245,102	6,128	8	251,238	245,759
Expenditure on:						
Raising funds		714	-	-	714	497
Charitable activities						
Homes		186,733	1,449	-	188,182	179,680
Retirement living		38,633	220	-	38,853	42,664
Live at Home		1,556	4,359	-	5,915	5,512
Other		1,927	3	1	1,931	7,051
Total charitable activities	6.a	228,849	6,031	1	234,881	234,907
Other	7.a	569	-	-	569	576
Total	5.a	230,132	6,031	1	236,164	235,980
Net (losses)/gains on investments	11.a	(1)	(47)	18	(30)	36
Net income		14,969	50	25	15,044	9,815
Transfer between funds		(8)	8	-	-	-
Other recognised (gains)/losses:						
Actuarial gain on defined benefit pension schemes	26.	1,965	-	-	1,965	947
Other (losses) – interest rate swaps	19.	(1,371)	-	-	(1,371)	(864)
Net movement in funds		15,555	58	25	15,638	9,898
Reconciliation of funds:						
Total funds brought forward	25.a	261,618	24,277	995	286,890	276,992
Total funds carried forward		277,173	24,335	1,020	302,528	286,890

All activities in both years are continuing activities.

METHODIST HOMES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st March 2020
Company Registered No. 4043124

		Unrestricted	Restricted	Endowment	Total	Total
		Funds	Funds	Funds	2020	2019
	Note	£'000	£'000	£'000	£'000	£'000
Fixed assets						
Intangible fixed assets	12.a	265	-	-	265	431
Tangible fixed assets	13.a	431,931	15,788	-	447,719	450,489
Investments	16.a	88	451	776	1,315	1,316
		<u>432,284</u>	<u>16,239</u>	<u>776</u>	<u>449,299</u>	<u>452,236</u>
Current assets						
Debtors	17.	14,821	-	-	14,821	14,462
Cash at bank and in hand		35,035	10,456	244	45,735	41,611
Total current assets		<u>49,856</u>	<u>10,456</u>	<u>244</u>	<u>60,556</u>	<u>56,073</u>
Liabilities						
Creditors: Amounts falling due within one year	18.	(43,056)	-	-	(43,056)	(46,205)
Net current assets/(liabilities)		<u>6,800</u>	<u>10,456</u>	<u>244</u>	<u>17,500</u>	<u>9,868</u>
Total assets less current liabilities		<u>439,084</u>	<u>26,695</u>	<u>1,020</u>	<u>466,799</u>	<u>462,104</u>
Creditors: Amounts falling due after more than one year	19.	(116,775)	(2,360)	-	(119,135)	(122,998)
Provisions for liabilities	20.a	(45,136)	-	-	(45,136)	(48,701)
Total net assets before defined benefit pension liability		<u>277,173</u>	<u>24,335</u>	<u>1,020</u>	<u>302,528</u>	<u>290,405</u>
Defined benefit pension scheme liability	26.	-	-	-	-	(3,515)
Total net assets		<u>277,173</u>	<u>24,335</u>	<u>1,020</u>	<u>302,528</u>	<u>286,890</u>
Funds						
Endowment funds	23.a	-	-	1,020	1,020	995
Restricted income funds	24.a	-	24,335	-	24,335	24,277
Unrestricted income fund: General fund	25.a	277,173	-	-	277,173	261,618
Total Funds	25.a	<u>277,173</u>	<u>24,335</u>	<u>1,020</u>	<u>302,528</u>	<u>286,890</u>

The financial statements on pages 32 to 88 were approved on behalf of the Board and authorised for issue on 2nd September 2020 and signed on its behalf by:


John Robinson – Chair

METHODIST HOMES

STATEMENT OF FINANCIAL POSITION (PARENT COMPANY)


As at 31st March 2020

Company Registration No. 4043124

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2020 £'000	Total 2019 £'000
Fixed assets						
Intangible fixed assets	12.c	265	-	-	265	431
Tangible fixed assets	13.c	338,153	15,788	-	353,941	355,571
Investments in subsidiaries	15.a	-	-	-	-	6,031
Investments	16.a	88	451	776	1,315	1,316
		338,506	16,239	776	355,521	363,349
Current assets						
Debtors	17.	35,339	-	-	35,339	40,561
Cash at bank and in hand		24,441	10,414	244	35,099	31,551
Total current assets		59,780	10,414	244	70,438	72,112
Liabilities						
Creditors: Amounts falling due within one year	18.	(37,488)	(2,354)	-	(39,842)	(55,418)
Net current assets		22,292	8,060	244	30,596	16,694
Total assets less current liabilities		360,798	24,299	1,020	386,117	380,043
Creditors: Amounts falling due after more than one year	19.	(98,498)	-	-	(98,498)	(99,207)
Provisions for liabilities	20.a	(31,056)	-	-	(31,056)	(34,535)
Total net assets before defined benefit pension liability		231,244	24,299	1,020	256,563	246,301
Defined benefit pension scheme liability	26.	-	-	-	-	(3,515)
Total net assets		231,244	24,299	1,020	256,563	242,786
Funds						
Endowment funds	23.a	-	-	1,020	1,020	995
Restricted income funds	24.c	-	24,299	-	24,299	24,271
Merger Reserve	25.c	(3,132)	-	-	(3,132)	(4,698)
Unrestricted income fund: General fund	25.c	234,376	-	-	234,376	222,218
Total Funds	25.c	231,244	24,299	1,020	256,563	242,786

A surplus for year of £13,183,000 (2019: loss £3,398,000) has been included within these financial statements for the company.

The financial statements on pages 32 to 88 were approved on behalf of the Board and authorised for issue on 2nd September 2020 and signed on its behalf by:


John Robinson – Chair

METHODIST HOMES
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2020

		2020		2019	
	Note	£'000	£'000	£'000	£'000
Cash flow from operating activities:					
Net cash inflow by operating activities	27a		18,552		13,560
Cash flow from investing activities:					
Investment income		285		161	
Purchase of tangible fixed assets		(18,850)		(13,587)	
Purchase of Intangible fixed assets		-		(399)	
Purchase of Investment		(29)		(100)	
Proceeds from the sale of tangible fixed assets		11,499		27,667	
Net cash generated (outflow)/inflow investing activities			(7,095)		13,742
Cash flow from financing activities:					
Interest paid and similar charges		(3,578)		(3,768)	
Repayments of borrowings		(3,755)		(3,387)	
Net cash outflow financing activities			(7,333)		(7,155)
Net change in cash and cash equivalents			4,124		20,147
Cash and cash equivalents at the beginning of the year			41,611		21,464
Cash and cash equivalents at the end of the year			45,735		41,611

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies

Statement of Compliance

The financial statements of Methodist Homes have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

General information

Methodist Homes (MHA) is a company limited by guarantee (Companies House No. 4043124) and a registered Charity (Registered Charity No. 1083995). It is governed by Memorandum and Articles of Association dated 31 March 2011. It is domiciled and registered in the UK. The address of its registered office is Methodist Homes, Epworth House, Stuart Street, Derby, DE1 2EQ.

Summary of significant accounting policies

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

Basis of preparation

These financial statements have been prepared under the historical cost convention, with the exception of owned Freehold Care Homes, Long Leasehold Care Homes and investments which are shown at deemed cost. They have also been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP (FRS102)) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) and the Companies Act 2006 except for the treatment of MHHA Social Housing Grants. These would normally be shown through the Statement of Financial Activities as Restricted Funds. MHA has chosen to maintain the Housing Association treatment of recognising grants under accrual model which is a departure from the Charity SORP (FRS102), but is in line with the Companies Act 2006 and the Statement of Recommended Practice "Accounting by Registered Housing Providers" which is adopted by MHHA. The Directors believe this is the appropriate policy to use within the consolidated financial statements.

Owned Freehold and Long Leasehold Care Homes are valued at deemed cost as permitted by the transitional arrangements to FRS102. The deemed cost is the historic value or market value at transition. The valuations of land and buildings for Care Homes were made in 2013 by Knight Frank on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice Note 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. The method used and significant assumptions applied in estimating the fair values for the Care Homes were by reference to the 'profits method' as this is the basis on which such properties are commonly bought or sold. In undertaking the valuation of the property, Knight Frank made an assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property and purchaser sentiment. Knight Frank then applied these to the properties, taking into account size, location, aspect. Other material factors, such as where planned works were due to take place creating a reduced occupancy, have been factored in.

The properties have been valued separately with the exception of Nethanvale and Lower Johnshill which would be sold as a single asset. As a result the values reported on an individual basis are an apportionment of the value as a whole.

Open Market Value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Basis of preparation (continued)

The subject properties are valued having regard to trading potential, having been well maintained and effectively operated, offering high standards of care and meeting the requirements of the relevant regulatory bodies.

The Charity constitutes a public benefit entity as defined by FRS102.

Going concern

The Charity's business activities, its current financial position and factors likely to affect its future development are set out in the Board of Directors' Report. The Charity has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Charity's day to day operations. The Charity also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

MHA has undertaken significant financial scenario and sensitivity analysis, modelling various plausible scenarios including a severe but plausible scenario. These scenarios take into account various assumptions including levels, of occupancy, weekly fee levels, costs of protective and testing equipment and the impact of a second wave of Covid-19. None of the scenarios modelled result in either liquidity shortfalls or covenant breaches at the specified measurement dates; as such MHA is comfortable with its ongoing financial sustainability with no reasonably plausible circumstances on the horizon that undermine that position. MHA has existing loan facilities that include a £70 million loan to March 2025 and a £25 million undrawn RCF to February 2023, both with Barclays, and a £24 million loan with AIB to December 2030.

Whilst the ELT and directors do not consider it likely based on current information if performance was to be significantly adverse to our latest forecasts (as described above) for a considerable period of time there could be a substantial impact on MHA's surplus generation and cash flows which could potentially put the organisation at risk of breaching the financial covenants on our loans. As a consequence, MHA would require support from the banks by means of a covenant waiver or deferral. Whilst the ELT believe that the Group would continue to have the support of the banks in these circumstances there is no certainty that this would be the case.

Furthermore, MHA has been successful in its application for short term liquidity support from the Government in the form of the Covid Corporate Financing Facility (CCFF) which gives MHA the ability to utilise £100m of short term debt if required. This facility further assures MHAs financial sustainability.

On this basis, the Board has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Basis of consolidation

The consolidated Group financial statements of Methodist Homes and its subsidiary undertakings are presented using acquisition accounting on a line by line basis. Intra-Group profits are eliminated on consolidation. A separate Statement of Financial Activities and Income and Expenditure Account for the company has not been presented because the company has taken advantage of the exemption afforded by section 408 of the Companies Act 2006. The performance of the Charity is set out in note 25.

The wholly controlled subsidiaries which are consolidated are:

Methodist Homes Housing Association Ltd- Registered Provider of Social Housing

MHA Auchlochan Ltd – Charity

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Basis of consolidation (continued)

A subsidiary is an entity controlled by the Parent. The parent Charity can exercise control through trusteeship, which gives a parent Charity the ability to govern the financial and operating policies of the subsidiary. The above two entities are subsidiaries of Methodist Homes by means of various inter-Group agreements. Methodist Homes has the power to appoint and/or remove a majority of the Trustees and thus demonstrate control.

Income recognition

All income is recognised once the Charity has entitlement to the income, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the Charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Donations are recognised when the Charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance before the Charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the Charity and it is probable that those conditions will be fulfilled in the reporting period. The Charity received substantial amounts of voluntary help from its supporters but no attempt is made to place a financial value on these services and they are not included in these financial statements. Voluntary help covers a range of activities from fundraising to helping with activities in the Homes.

For legacies, entitlement is taken as the earlier of the date on which either: the Charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the

Charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Charity or the Charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank.

Charitable activities

Fees, charges and rents – Income represents the amounts charged for occupation costs and services provided in the year, and is recognised on an accruals basis.

Retirement housing for sale – Income and expenditure represents amounts relating to individual units sold during the year on long-term lease. A sale is recognised on completion where the contract is unconditional and the risks and rewards of ownership have passed.

Transactions with a guaranteed buyback commitment are not recognised at the date of completion, but are accounted for as operating leases for the period to when it is considered probable that the property will be bought back (currently considered by the Directors to be nine years from the completion date). This principle applies irrespective of the duration of the buyback commitment.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Charitable Activities (continued)

The difference between the sale price and the buyback price is recognised as rental revenue on a straight-line basis over the duration of the buyback commitment. The property is initially recognised at production cost in property, plant and equipment. Depreciation expense is calculated over expected useful economic life of the property by the straight-line method, on the basis of the property's cost less its estimated residual value, representing the anticipated resale price on the property market.

Provision is made for the expected value of the buyback commitment in the future, discounted at the appropriate risk-free rate (being the relevant nine and five year government bond rates depending on the remaining expected life of the individual commitments by property). The carrying value of the provision is re-assessed at each financial reporting period end to adjust for transactions during the period, changes in remaining lives of the commitments, and periodic fluctuations in the risk free rate. The unwinding of the associated discount factor is recognised within interest payable and similar charges.

On the buyback of a property under the guaranteed commitment by the company, any resulting gain or loss is recognised within the Operating Surplus / (Deficit) in the period, as is the release of any associated buyback provision. The remaining unwound discount is released to interest.

Expenditure recognition

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Central costs

All staff employed in the central office are employed by Methodist Homes, the office premises are jointly occupied and office services are shared.

Within the financial statements of the group, these expenses are allocated on the basis of time spent on three items:

(i) Charitable activities

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

(ii) Costs of generating funds

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

(iii) Governance costs

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

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Allocation of support and governance costs

Support costs have been allocated between governance costs and other support costs. Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel and payroll. Governance costs comprise all costs involving the public accountability of the Charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 7.

Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the amortisable amount of the assets to their residual values over their estimated useful lives. Intangible assets are amortised over the following useful economic lives:

- | | |
|--------------------------|-----------|
| • Customer relationships | 2 years |
| • Goodwill | 2 years |
| • Software | 3-5 years |

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Charity are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Tangible fixed assets and depreciation

Land is stated at cost, except where it forms part of a revalued Care Home – in which case it is stated at valuation, and is not depreciated.

Freehold and long leasehold buildings include applicable overhead expenditure and capitalised interest. Interest on loans deemed to be financing a development is capitalised up to the date of practical completion.

Furniture, equipment and motor vehicle are stated at cost less depreciation.

Fixed assets with a cost of more than £500 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.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Tangible fixed assets and depreciation (continued)

The Charity has previously adopted a policy of revaluing freehold and long leasehold Care Homes and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses. The Charity has adopted the transition exemption under FRS102 paragraph 35.10(d) and elected to use the previous revaluation as deemed cost.

Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful life.

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

Furniture, equipment and motor vehicles are depreciated over between three and twenty years on a straight line basis dependent upon their component type except for minibuses financed from restricted funds, which are written off in the year of purchase.

Assets in the course of construction are stated at cost and are not depreciated until they are available for use. The assets in the course of construction are recognised where it is probable economic benefit will flow to the Charity and can be reliably measured.

Social housing grants

The group's housing developments are financed wholly or partly by Social Housing or other capital grants. Section 24 of FRS102, 'Government grants' permits either the performance model or the accrual model to recognise the government grants. As required by the Housing SORP (FRS102), housing properties accounted at valuation must recognise government grants using the performance model and those accounted at cost must recognise government grants using the accrual model.

The Group accounts for its housing property at cost and recognises government grants using the accrual model. Under this model, grants are recognised in income on a systematic basis over the expected useful life of the housing property structure (not land and structure), even if the fair value of the grant exceeds the carrying value of the structure in the financial statements, or over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis.

On disposal of an asset for which government grants were received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the statement of financial position related to such asset is derecognised as a liability and recognised as revenue in the statement of financial activities.

There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised as income.

Financial instruments

The Group has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction value unless the arrangement constitutes a financing transaction, where the transaction is measured

at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Financial instruments (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the consolidated Statement of Financial Activities.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the consolidated Statement of Financial Activities.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade creditors, bank loans, loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their mark-to-market fair value based on current market conditions. Changes in the fair value of derivatives are recognised in "Other recognised gains/(losses)" of the Statement of Financial Activities.

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

iii) Offsetting

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

Cash and cash equivalents

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

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Retirement housing stock

Unsold units of retirement housing stock and work in progress at the yearend are treated as fixed assets and are therefore valued at the lower of cost and estimated selling price less cost to complete. Cost includes capitalised interest incurred on specific projects during the period of development and any other relevant applicable costs.

Impairment of non-financial assets

Where the carrying values of care/housing properties or retirement housing stock are considered to have suffered a permanent diminution in value, the fall in value is recognised in the Statement of Financial Activities. An impairment review is carried out and appropriate impairment provisions made. In assessing an asset for impairment, the recoverable amount of an asset is determined to be the higher of the fair value less costs to sell the asset and its value in use. The method used to determine the value in use of an asset will depend on whether the asset is primarily held to generate cash as a commercial return or for its service potential to the charity's beneficiaries. Where the service potential measurement can be reliably made, and this exceeds the carrying value of the asset, then no impairment is recognised.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's) that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be two years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the statement of financial position date using the closing quoted market price. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Investments (continued)

The main form of financial risk faced by the Charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired during the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

At the transfer of a subsidiary's trade and assets to the company the net assets of that investment are retained in investments and the balance transferred to a merger reserve. The merger reserve is transferred to the general fund in line with the expected utilisation of the assets transferred to the company.

Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of Charity. Designated funds are unrestricted funds of the Charity which the Directors have decided at their discretion to set aside to use for a specific purpose.

i) Restricted income funds

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Charity's work or for specific projects being undertaken by the Charity. They represent voluntary income or grants from statutory authorities and fees and charges in Live at Home Schemes, which have been received for purposes set out in note 24.

The application of these funds is restricted by the terms of a special appeal, the expressed wishes of the donor, the will of the testator, or the terms of the grant.

ii) Endowment funds

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

Pensions

The Group's pension arrangements comprise various defined benefit and defined contribution schemes.

Where the underlying assets and liabilities of the defined benefit schemes can be separately identifiable, the Group recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Actuarial gains and losses for these schemes are included in the Consolidated Statement of Financial Activities.

Current and past service costs, curtailments and settlements are recognised within net incoming resources. Returns on scheme assets and interest on obligations are recognised as other finance income or expenses.

Where it is not possible to separately identify the share of the underlying assets and liabilities of a defined benefit scheme, the amount charged to the Consolidated Statement of Financial Activities represents the contributions payable in the year.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Pensions (continued)

The defined benefit schemes are funded, with the assets held separately from the Group in separate Trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each Statement of Financial Position date. The pension scheme assets are measured at fair value.

The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reducing future contributions or to the extent that the trustees have agreed a refund from the scheme at the Statement of Financial Position date.

A pension scheme liability is recognised to the extent the group has a legal or constructive obligation to settle the liability. For defined contribution schemes contributions are charged to the Consolidated Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

No element of the pension scheme liability or scheme expenses relate to restricted activities of the charity.

The Charity participates in a defined benefit scheme, as detailed in note 26, which was closed to new entrants on 31 March 2010. Where it is not possible in the normal course of events to identify the schemes underlying assets and liabilities belonging to individual participating employers, under accounting standards the accounting charge for the year represents the employer contributions payable. Contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

Employee benefits

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

Taxation

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

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

Liabilities

Liabilities are recognised when either a constructive or legal obligation exists.

Leased assets and obligations

Leases are considered operating leases where the risks and rewards equivalent to ownership have not been passed to the Group. As such, the annual rentals are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. Principal Accounting Policies (continued)

Leased assets and obligations (continued)

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS102 (1 April 2013) as per FRS102 para 35.10(p) and continues to credit such lease incentives to the Statement of Financial Activities over the period to the first review date on which the rent is adjusted to market rates.

Critical judgements in applying the accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

i) Provisions for liabilities

The Charity has recognised provisions for the re-purchase of properties sold as leasehold interests under guaranteed buy-back arrangements, on the basis that the timing of the re-purchase is uncertain. Additionally provisions have been recognised in relation to liabilities in respect of exceptional items. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience, professional advice and other reasonable factors.

ii) Exceptional items

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as exceptional. Details of these items categorised as exceptional are outlined in note 8.

Future amendments to FRS102

The Charity will adopt any new provisions arising from future developments to FRS102 where relevant. As at the date of approval of the financial statements, the Trustees do not consider that any current or proposed amendments will have a material impact on the reported results.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

2. Donations and legacies

2.a Donations and legacies (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
Donations	477	867	-	1,344	1,834
Big Lottery Fund grant	-	211	-	211	191
Legacies receivable	1,099	1,565	-	2,664	3,046
	<u>1,576</u>	<u>2,643</u>	<u>-</u>	<u>4,219</u>	<u>5,071</u>

2.b Donations and legacies (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
Donations	744	1,090	-	1,834	2,188
Big Lottery Fund grant	-	191	-	191	41
Legacies receivable	225	2,821	-	3,046	2,702
	<u>969</u>	<u>4,102</u>	<u>-</u>	<u>5,071</u>	<u>4,931</u>

3. Charitable activities

3.a Charitable activities (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
Fees and charges	222,174	1,380	-	223,554	210,153
Rents	7,420	-	-	7,420	7,358
Grants	1,056	2,085	-	3,141	2,436
Consultancy income	-	-	-	-	55
Sale of Housing	12,619	-	-	12,619	20,525
	<u>243,269</u>	<u>3,465</u>	<u>-</u>	<u>246,734</u>	<u>240,527</u>

3.b Charitable activities (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
Fees and charges	208,732	1,421	-	210,153	195,201
Rents	7,358	-	-	7,358	7,253
Grants	1,239	1,197	-	2,436	2,352
Consultancy income	55	-	-	55	314
Sale of Housing	20,525	-	-	20,525	19,303
	<u>237,909</u>	<u>2,618</u>	<u>-</u>	<u>240,527</u>	<u>224,423</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. Charitable activities (continued)

Forms of government assistance from which the Charity has benefitted amounts to £414,000 (2019: £1,680,000).

4. Investments

4.a Investments (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
Investment securities – UK	-	11	7	18	16
Bank and deposit interest	257	9	1	267	145
	257	20	8	285	161

4.b Investments (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
Investment securities – UK	1	9	6	16	20
Bank and deposit interest	131	14	-	145	56
	132	23	6	161	76

5. Analysis of expenditure

5.a Analysis of expenditure (current year)

	Note	Homes £'000	Retirement Living £'000	Live at Home £'000	Other £'000	2020 Total £'000	2019 Total £'000
Staff costs		114,113	15,094	3,661	10,312	143,180	135,006
Operational costs/(income):							
Supplies and services		33,369	6,412	1,570	5,646	46,997	50,743
Repairs and rents		16,340	2,548	288	228	19,404	19,234
Retirement housing cost of sales		-	5,686	-	134	5,820	8,949
Depreciation	13.a	8,228	4,836	6	655	13,725	13,490
Amortisation	12.a	-	-	-	166	166	1,218
Finance charges		-	1,285	-	1	1,286	2,296
Bank loan interest		3,068	627	-	35	3,730	3,786
Other (income)/costs		528	88	2	939	1,557	2,433
(Profit) on disposals		(779)	(9)	-	-	(788)	(3,925)
Exceptional items	8	-	-	-	518	518	2,174
Allocated costs/(income)		13,315	2,286	388	(15,989)	-	-
Governance costs	7.a	-	-	-	569	569	576
Total expenditure		188,182	38,853	5,915	3,214	236,164	235,980

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

5. Analysis of expenditure (continued)

5.b Analysis of expenditure (prior year)

		Homes	Retirement	Live at	Other	2019	2018
	Note	£'000	Living	Home	£'000	Total	Total
			£'000	£'000	£'000	£'000	£'000
Staff costs		107,028	14,350	3,378	10,250	135,006	120,435
Operational costs/(income):							
Supplies and services		32,589	6,434	1,462	10,258	50,743	44,290
Repairs and rents		16,212	2,703	267	52	19,234	17,730
Retirement housing cost of sales		-	8,741	-	208	8,949	9,369
Depreciation	13.b	7,931	5,148	-	411	13,490	12,263
Amortisation	12.b	-	-	-	1,218	1,218	1,581
Finance charges		-	2,295	-	1	2,296	17
Bank loan interest		2,833	459	-	494	3,786	3,706
Other (income)/costs		587	135	4	1,707	2,433	1,465
(Profit) on disposals		(3,925)	-	-	-	(3,925)	-
Exceptional items	8	-	-	-	2,174	2,174	2,322
Allocated costs/(income)		16,425	2,399	401	(19,255)	-	-
Governance costs	7.b	-	-	-	576	576	291
Total expenditure		179,680	42,664	5,512	8,124	235,980	213,469

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

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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6. Summary analysis of expenditure and related income for charitable activities

6.a Summary analysis of expenditure and related income for charitable activities (current year)

			Live		2020	2019
	Homes	Retireme	at	Other	Total	Total
Note	£'000	nt Living	Home	£'000	£'000	£'000
Income from charitable activities						
Fees and charges	200,788	21,559	1,165	42	223,554	210,153
Rents	65	7,355	-	-	7,420	7,358
Grants	-	-	2,101	1,040	3,141	2,436
Consultancy income	-	-	-	-	-	55
Sale of Housing	-	12,619	-	-	12,619	20,525
Total income	3.a 200,853	41,533	3,266	1,082	246,734	240,527
Expenditure on charitable activities						
Staff costs	(114,113)	(15,094)	(3,661)	(9,533)	(142,401)	(134,681)
Operational costs	(60,754)	(21,473)	(1,866)	(7,869)	(91,962)	(98,052)
Allocated (costs)/income	(13,315)	(2,286)	(388)	15,989	-	-
Exceptional items	-	-	-	(518)	(518)	(2,174)
Total	(188,182)	(38,853)	(5,915)	(1,931)	(234,881)	(234,907)
Total surplus/(deficit) from charitable activities 2020	12,671	2,680	(2,649)	(849)	11,853	
Total surplus/(deficit) from charitable activities 2019	9,554	5,063	(3,135)	(5,862)		5,620

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

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

6.b Summary analysis of expenditure and related income for charitable activities (prior year)

		Homes	Retirement Living	Live at Home	Other	2019 Total	2018 Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities							
Fees and charges		189,152	19,970	937	94	210,153	195,201
Rents		82	7,232	44	-	7,358	7,253
Grants		-	-	1,396	1,040	2,436	2,352
Consultancy income		-	-	-	55	55	314
Sale of Housing		-	20,525	-	-	20,525	19,303
Total income	3.b	189,234	47,727	2,377	1,189	240,527	224,423
Expenditure on charitable activities							
Staff costs		(107,028)	(14,350)	(3,378)	(9,925)	(134,681)	(119,984)
Operational costs		(56,227)	(25,915)	(1,733)	(14,177)	(98,052)	(90,291)
Allocated (costs)/income		(16,425)	(2,399)	(401)	19,225	-	-
Exceptional items		-	-	-	(2,174)	(2,174)	(2,322)
Total		(179,680)	(42,664)	(5,512)	(7,051)	(234,907)	(212,597)
Total surplus/(deficit) from charitable activities 2019		9,554	5,063	(3,135)	(5,862)	5,620	
Total surplus/(deficit) from charitable activities 2018		11,267	8,532	(2,357)	(5,616)		11,826

7. Analysis of governance and support costs

The Group initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the key charitable activities undertaken (see note 6) in the year. Refer to the table on the following page for the basis for apportionment and the analysis of support and governance costs.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

7. Analysis of governance and support costs (continued)

7.a Analysis of governance and support costs (current year)

	Support Costs £'000	Governance Costs £'000	2020 Total £'000	2019 Total £'000	Basis of allocation
Employment costs	-	287	287	218	Staff time
Trustee expenses	-	10	10	17	Invoiced events
External auditors – audit services:					
Parent	-	148	148	112	Governance
Subsidiaries	-	30	30	85	Governance
Bank covenants	-	6	6	6	Governance
Directors Insurances	9	-	9	9	Cost
Other costs	-	88	88	138	Governance
Total	9	569	578	585	

7.b Analysis of governance and support costs (prior year)

	Support Costs £'000	Governance Costs £'000	2019 Total £'000	2018 Total £'000	Basis of allocation
Employment costs	-	218	218	69	Staff time
Trustee expenses	-	17	17	16	Invoiced events
External auditors – audit services:					
Parent	-	112	112	120	Governance
Subsidiaries	-	85	85	80	Governance
Bank covenants	-	6	6	6	Governance
Directors Insurances	9	-	9	9	Cost
Other costs	-	138	138	-	Governance
Total	9	576	585	300	

8. Exceptional items

	2020 £'000	2019 £'000
Impairment of assets	-	-
Change programme and admin costs	295	-
Silk Deferred Tax Asset	223	-
Cold Harbour Project	-	2,174
Total costs	518	2,174

METHODIST HOMES
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8. Exceptional Items (continued)

The current year exceptional items constitute costs relating to the termination of a project to implement a new housing management system £295,000 and the write off of the Deferred Tax asset £223,000 transferred following the hive-up of assets from the Silk Group which is no longer recoverable.

The prior year exceptional items constitute £1,177,000 prior year costs, £673,000 current year costs previously capitalised in assets under the course of construction and £324,000 of committed costs.

9. Operating lease commitments

	2020	2019
	Total	Total
	£'000	£'000

Operating leases

The following lease payments were made during the year in respect of operating leases:

Land and buildings	11,820	11,613
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	2020	2019
	Land & Buildings	Land & Buildings
	Total	Total
	£'000	£'000

At 31 March the Group and Charity had commitments under non-cancellable operating leases as follows:

- expiring in one year or less	11,607	11,576
- expiring in one to two years	11,607	11,576
- expiring in two to five years	34,821	34,729
- expiring in more than five years	218,709	229,452
	<u>276,744</u>	<u>287,333</u>

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

	2020	2019
	Number	Number
Average monthly number employed		
Care Homes	4,796	4,548
Retirement Living	798	788
Live at Home	133	123
Office staff	289	281
	<u>6,016</u>	<u>5,740</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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10. Analysis of staff costs and remuneration of key management personnel (continued)

The average number of staff employed represents the full time equivalent including staff on zero hour contracts. The total number of staff employed on zero hour contracts was 1,038 (2019: 1,306). The use of zero hour contracts for care staff allows the employee the flexibility to control their work preferences.

	2020	2019
	£'000	£'000
Group staffing costs		
Wages and salaries	129,617	122,855
Social security costs	9,878	9,301
Other pension costs		
- Defined benefit pension costs (note 26)	242	496
- Defined contribution pension costs	3,731	2,521
	<u>143,468</u>	<u>135,173</u>

The key management personnel is comprised of the Executive Leadership Team alongside the Trustees of the Charity. During the year the total remuneration received by the Executive Leadership Team was £992,000 (2019: £1,168,000). The employer's pension contribution for the key management personnel staff was £57,000 (2019: £59,000).

The key management personnel of the Group are all remunerated from the parent Charity. These comprise the Leadership Team listed on page 26 of the financial statements. The total employee benefits of the Executive Leadership Team of the Charity were £Nil (2019: £Nil).

The number of Directors who received reimbursement for the cost of travel to and from meetings was 7 (2019: 11). The cost of travel expenses reimbursed was £5,000 (2019: £13,000). During the year an insurance premium of £9,000 (2019: £9,000) was paid to indemnify Directors against liability for wrongful acts. No remuneration or benefits were paid during the year to any Trustee of the Board. 87 (2019:61) employees earned over £60,000 in the year excluding pension contribution within the following bands:

	2020	2019
	Number	Number
Between £60,001 and £70,000	45	39
Between £70,001 and £80,000	29	7
Between £80,001 and £90,000	4	5
Between £90,001 and £100,000	2	3
Between £100,001 and £110,000	1	2
Between £110,001 and £120,000	2	1
Between £120,001 and £130,000	2	1
Between £130,001 and £140,000	1	1
Between £140,001 and £150,000	-	1
Between £180,001 and £190,000	-	1
Between £190,001 and £200,000	-	-
Between £200,001 and £210,000	1	-

87 (2019:61) employees were members of the defined contribution pension scheme.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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11. Net (losses)/gains on investment

11.a Net (losses)/gains on investments (current year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2020 Total £'000	2019 Total £'000
Realised gains	-	-	-	-	-
Unrealised (losses)/gains	(1)	(47)	18	(30)	36
	(1)	(47)	18	(30)	36

11.b Net gains/(losses) on investments (prior year)

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total £'000	2018 Total £'000
Realised gains	-	-	-	-	3
Unrealised gains/(losses)	7	16	13	36	(17)
	7	16	13	36	(14)

12. Intangible Fixed Assets

12.a Intangible Fixed Assets (current year)

Group	Customer relationships £'000	Goodwill £'000	Software £'000	Total £'000
Cost				
At 1 April 2019	2,782	379	497	3,658
Additions	-	-	-	-
At 31 March 2020	2,782	379	497	3,658
Accumulated amortisation				
At 1 April 2019	2,782	379	66	3,227
Amortisation charge	-	-	166	166
At 31 March 2020	2,782	379	232	3,393
Net Book Value				
At 31 March 2020	-	-	265	265
At 31 March 2019	-	-	431	431

Amortisation charges of £166,000 have been recognised in other expenditure.

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NOTES TO THE FINANCIAL STATEMENTS
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12. Intangible Fixed Assets (continued)

12.b Intangible Fixed Assets (prior year)

Group	Customer relationships £'000	Goodwill £'000	Software £'000	Total £'000
Cost				
At 1 April 2018	2,782	379	98	3,259
Additions	-	-	399	399
At 31 March 2019	2,782	379	497	3,658
Accumulated amortisation				
At 1 April 2018	1,739	237	33	2,009
Amortisation charge	1,043	142	33	1,218
At 31 March 2019	2,782	379	66	3,227
Net Book Value				
At 31 March 2019	-	-	431	431
At 31 March 2018	1,043	142	65	1,250

The individual intangible assets, excluding goodwill and software, which are material to the financial statements, are: intangible assets relating to the acquisition of Silk Healthcare Holdings Ltd, which was completed on 6 December 2016.

	Carrying amount		Remaining amortisation period	
	2019 £'000	2018 £'000	2019 Yrs	2018 Yrs
Resident base				
Silk Healthcare Holdings Ltd	-	1,043	-	0.75

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NOTES TO THE FINANCIAL STATEMENTS
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12. Intangible Fixed Assets (continued)

12.c Intangible Fixed Assets (current year)

Company	Software	Total
	£'000	£'000
Cost		
At 1 April 2019	497	497
Additions	-	-
At 31 March 2020	497	497
Accumulated amortisation		
At 1 April 2019	66	66
Amortisation charge	166	166
At 31 March 2020	232	232
Net Book Value		
At 31 March 2020	265	265
At 31 March 2019	431	431

12.d Intangible Fixed Assets (prior year)

Company	Software	Total
	£'000	£'000
Cost		
At 1 April 2018	98	98
Additions	399	399
At 31 March 2019	497	497
Accumulated amortisation		
At 1 April 2018	33	33
Amortisation charge	33	33
At 31 March 2019	66	66
Net Book Value		
At 31 March 2019	431	431
At 31 March 2018	65	65

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13. Tangible Fixed Assets

13.a Tangible Fixed Assets (current year)

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Cost / valuation							
1 April 2019	275,046	37,672	179,790	9,832	30,610	675	533,625
Additions during the year	1,825	-	3,334	-	1,026	10,710	16,895
Completions during the year	-	-	-	-	(8)	-	(8)
Disposals during the year	-	-	(6,189)	-	(77)	-	(6,266)
Impairment during the year	-	-	-	-	-	(295)	(295)
Transfer between category	(16,191)	9,303	6,468	572	(76)	(76)	-
31 March 2020	260,680	46,975	183,403	10,404	31,475	11,014	543,951
Accumulated depreciation / impairment							
1 April 2019	35,847	6,627	23,989	903	15,770	-	83,136
Charge for the year	5,569	864	4,077	166	3,049	-	13,725
On disposals	-	-	(529)	-	(77)	-	(606)
Transfer between category	(624)	626	(51)	28	(2)	-	(23)
31 March 2020	40,792	8,117	27,486	1,097	18,740	-	96,232
Net book value							
31 March 2020	219,888	38,858	155,917	9,307	12,735	11,014	447,719
31 March 2019	239,199	31,045	155,801	8,929	14,840	675	450,489

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NOTES TO THE FINANCIAL STATEMENTS
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13. Tangible Fixed Assets (continued)

13.b Tangible Fixed Assets (prior year)

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Cost / valuation							
1 April 2018	282,798	25,832	177,721	9,050	31,913	8,940	536,254
Additions during the year	548	87	2,759	2,928	892	7,662	14,876
Completions during the year	10,071	24	2,250	-	1,731	(14,076)	-
Disposals during the year	(8,053)	1,496	(8,766)	(115)	(217)	-	(15,655)
Impairment during the year	-	-	-	-	-	(1,850)	(1,850)
Transfer between category	(10,318)	10,233	5,826	(2,031)	(3,709)	(1)	-
31 March 2019	275,046	37,672	179,790	9,832	30,610	675	533,625
Accumulated depreciation / impairment							
1 April 2018	31,522	2,710	21,811	4,191	11,010	-	71,244
Charge for the year	5,572	621	3,821	154	3,322	-	13,490
On disposals	(1,509)	104	(159)	-	(34)	-	(1,598)
Transfer between category	262	3,192	(1,484)	(3,442)	1,472	-	-
31 March 2019	35,847	6,627	23,989	903	15,770	-	83,136
Net book value							
31 March 2019	239,199	31,045	155,801	8,929	14,840	675	450,489
31 March 2018	251,276	23,122	155,910	4,859	20,903	8,940	465,010

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13. Tangible Fixed Assets (continued)

Completions during the year relate to the reclassification of assets in the course of construction upon completion of the relevant project. Any assets in the course of construction, whose nature does not meet the definition of capital expenditure or where the project was aborted, are taken to the Statement of Financial Activities upon project completion. The cost of such projects in the year was £295,000 (2019: £1,850,000).

During March 2019 a 'Put Option' at the Mickle Hill, Pickering Retirement Living Scheme was exercised by the Developer in line with the contractual agreement. This was completed in May 2019, when MHA took ownership of 14 apartments; MHA intend to sell or rent these properties to grow the vibrant community at that scheme.

The current and prior year impairments relate to a write off of costs for the termination of a project. Further detail can be found in note 9.

The net book value at 31 March 2020 represents fixed assets used for:

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Direct charitable purposes:							
Homes	219,888	38,858	-	-	10,130	5,970	274,846
Retirement Living	-	-	153,430	9,307	2,238	2,775	167,750
Support offices	-	-	2,487	-	367	2,269	5,123
	219,888	38,858	155,917	9,307	12,735	11,014	447,719

Included within our freehold land and buildings above is land of £58,286,000 (2019: £58,286,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £nil (2019: £Nil). The cumulative amount of capitalised interest included is £3,917,000 (2019: £3,917,000).

Included within freehold land and buildings is £nil (2019: £283,000) of assets in the course of construction.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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13. Tangible Fixed Assets (continued)

The net book value at 31 March 2019 represents fixed assets used for:

Group	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Direct charitable purposes:							
Homes	239,199	31,045	-	-	11,826	203	282,273
Retirement Living	-	-	152,228	8,929	2,264	182	163,603
Support offices	-	-	3,573	-	750	290	4,613
	239,199	31,045	155,801	8,929	14,840	675	450,489

METHODIST HOMES
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13. Tangible Fixed Assets (continued)

13.c Tangible Fixed Assets (current year)

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Cost / valuation							
1 April 2019	246,021	37,672	110,192	2,952	25,698	599	423,134
Additions during the year	1,745	-	2,492	-	904	8,178	13,319
Completions during the year	-	-	-	-	(8)	-	(8)
Disposals during the year	-	-	(4,226)	-	(23)	-	(4,249)
Impairment during the year	-	-	-	-	-	(295)	(295)
Transfer between category / company	(9,243)	9,303	(557)	572	(80)	-	(5)
31 March 2020	238,523	46,975	107,901	3,524	26,491	8,482	431,896
Accumulated depreciation / impairment							
1 April 2019	32,743	6,627	14,889	21	13,283	-	67,563
Charge for the year	5,093	864	2,221	-	2,637	-	10,815
Impairment	-	-	-	-	-	-	-
On disposals	-	-	(374)	-	(24)	-	(398)
Transfer between category / company	(624)	626	(53)	28	(2)	-	(25)
31 March 2020	37,212	8,117	16,683	49	15,894	-	77,955
Net book value							
31 March 2020	201,311	38,858	91,218	3,475	10,597	8,482	353,941
31 March 2019	213,278	31,045	95,303	2,931	12,415	599	355,571

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

13. Tangible Fixed Assets (continued)

13.d Tangible Fixed Assets (prior year)

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Cost / valuation							
1 April 2018	254,313	25,832	115,823	481	23,134	7,585	427,168
Additions during the year	415	87	1,291	2,928	706	6,628	12,055
Completions during the year	9,664	24	448	-	1,627	(11,763)	-
Disposals during the year	(8,053)	1,496	(7,415)	(115)	(217)	-	(14,304)
Impairment during the year	-	-	-	-	-	(1,850)	(1,850)
Transfer between category / company	(10,318)	10,233	45	(342)	448	(1)	65
31 March 2019	246,021	37,672	110,192	2,952	25,698	599	423,134
Accumulated depreciation / impairment							
1 April 2018	29,030	2,710	13,876	2,959	9,797	-	58,372
Charge for the year	4,960	621	2,201	(11)	2,935	-	10,706
Impairment	-	-	-	-	-	-	-
On disposals	(1,509)	104	(101)	-	(34)	-	(1,540)
Transfer between category / company	262	3,192	(1,087)	(2,927)	585	-	25
31 March 2019	32,743	6,627	14,889	21	13,283	-	67,563
Net book value							
31 March 2019	213,278	31,045	95,303	2,931	12,415	599	355,571
31 March 2018	225,283	23,122	101,947	(2,478)	13,337	7,585	368,796

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

13. Tangible Fixed Assets (continued)

As part of a new system implementation for the management of fixed assets a detailed review and classification exercise was undertaken resulting in reclassification of assets between categories shown in Transfer between category/company.

The net book value at 31 March 2020 represents fixed assets for:

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Direct charitable purposes:							
Homes	201,311	38,858	-	-	9,940	5,311	255,420
Retirement Living	-	-	88,731	3,475	290	902	93,398
Support offices	-	-	2,487	-	367	2,269	5,123
	201,311	38,858	91,218	3,475	10,597	8,482	353,941

Included within freehold land and buildings above is land of £51,098,000 (2019: £51,098,000) which is not depreciated.

Additions to freehold land and buildings include capitalised interest of £nil (2019: £Nil). The cumulative amount of capitalised interest included is £3,813,000 (2019: £3,813,000).

Included within our freehold land and buildings is £nil (2019: £283,000) of assets in the course of construction.

METHODIST HOMES
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13. Tangible Fixed Assets (continued)

The net book value at 31 March 2019 represents fixed assets for:

Company	Care Homes: Freehold land and buildings at valuation £'000	Care Homes: Leasehold land and buildings at valuation £'000	Other: Freehold land and buildings at cost £'000	Other: Leasehold land and buildings at cost £'000	Furniture, equipment and vehicles at cost £'000	Assets in the course of construction at cost £'000	Total £'000
Direct charitable purposes:							
Homes	213,278	31,045	-	-	11,466	203	255,992
Retirement Living	-	-	91,730	2,931	199	106	94,966
Support offices	-	-	3,573	-	750	290	4,613
	213,278	31,045	95,303	2,931	12,415	599	355,571

14. Capital Commitments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Expenditure contracted, less certified	2,443	4,244	2,245	4,202

Included within the capital commitments of the Group and Company are contracts relating to the development of sites which are executory contracts in nature as at 31 March 2020. A liability for these items has not been recorded in the financial statements as neither party has yet performed their obligations and the contracts are not onerous.

METHODIST HOMES
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15. Investments in Subsidiaries

15.a Investments in Subsidiaries (current year)

Company	2020
	£'000
At 1 April 2019	6,031
Return on investment	(6,031)
At 31 March 2020	-

Analysed as:	2020
	£'000
Silk Healthcare Holdings Ltd	-
	-

The investment in Silk Healthcare Holdings Ltd was written down to £nil following the liquidation of the company in January 2020.

15.b Investments in Subsidiaries (prior year)

Company	2019
	£'000
At 1 April 2018	24,374
Impairment of investment	(13,645)
Transfer of a subsidiary	(4,698)
At 31 March 2019	6,031

Analysed as:	2019
	£'000
Silk Healthcare Holdings Ltd	6,031
	6,031

Fixed asset investments comprise equity shares in Silk Healthcare Holdings Ltd which is not a publicly trading company.

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15.b Investments in Subsidiaries (prior year) (continued)

Silk Healthcare Holdings Ltd

MHA acquired 100% of the equity share capital of Silk Healthcare Holdings Ltd on 7 December 2016. The address of the registered office of Silk Healthcare Holdings Ltd is Epworth House, Stuart Street, Derby, DE1 2EQ. Refer to note 28 for details on the company and its subsidiaries.

On 31 March 2019 the trade and assets of Silk Healthcare Holdings Ltd, Silk Healthcare Ltd and Swiftbuild Properties Ltd were transferred to the Company for consideration of £6,031,000 satisfied by an inter-group loan.

No adjustments were required to the book values. The net assets acquired were:

	Silk Healthcare Holdings Ltd	Silk Healthcare Ltd	Swiftbuild Properties Ltd	Total
	£'000	£'000	£'000	£'000
Fixed Assets	-	39	-	39
Cash at bank and in hand	1	2,589	15	2,605
Trade debtors	-	740	-	740
Due from group undertakings	595	3,730	8,855	13,180
Other debtors	-	11	266	277
Prepayments and accrued income	-	9	-	9
Trade creditors	-	(8)	(3)	(11)
Due to group undertakings	(49)	(5,945)	(4,276)	(10,270)
Other creditors	(25)	(1)	-	(26)
Taxation and social security	-	-	(4)	(4)
Accruals and deferred income	-	(222)	(286)	(508)
	<u>522</u>	<u>942</u>	<u>4,567</u>	<u>6,031</u>

In 2020 Silk Healthcare Holdings Ltd, Silk Healthcare Ltd and Swiftbuild Properties Ltd were liquidated.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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16. Investments

16.a Investments - Group and Company (current year)

	Unrestricted	Restricted	Endowment	2020	2019
	Funds	Funds	Funds	Total	Total
	£'000	£'000	£'000	£'000	£'000
1 April 2019	59	499	758	1,316	1,180
Additions during the year	29	-	-	29	100
Net (loss)/gain on revaluation	-	(48)	18	(30)	36
31 March 2020	88	451	776	1,315	1,316
The securities represent:					
Methodist Church Central Finance Board:					
Equity fund units	-	342	-	342	392
Fixed interest fund units	88	109	776	973	924
31 March 2020	88	451	776	1,315	1,316

16.b Investments - Group and Company (prior year)

	Unrestricted	Restricted	Endowment	2019	2018
	Funds	Funds	Funds	Total	Total
	£'000	£'000	£'000	£'000	£'000
1 April 2018	-	435	745	1,180	1,197
Additions during the year	52	48	-	100	-
Net gain/(loss) on revaluation	7	16	13	36	(17)
31 March 2019	59	499	758	1,316	1,180
The securities represent:					
Methodist Church Central Finance Board:					
Equity fund units	-	392	-	392	316
Fixed interest fund units	59	107	758	924	864
31 March 2019	59	499	758	1,316	1,180

All investments are carried at their fair value. Investment in equities and fixed interest units are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

17. Debtors

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	7,003	8,771	6,458	8,145
Due from group undertakings	-	-	21,104	26,967
Deferred tax asset	-	223	-	223
Other debtors	583	337	549	273
Prepayments and accrued income	7,235	5,131	7,228	4,953
	<u>14,821</u>	<u>14,462</u>	<u>35,339</u>	<u>40,561</u>

Amounts receivable from Group undertakings comprise a formal loan of £3,500,000 (2019: £3,500,000) which is interest bearing at a rate of 0.5% per annum (2019: 0.5%) unsecured and repayable on demand, and £17,604,000 (2019: £23,471,000) recharges arising from operational activities which is not interest bearing, is unsecured and payable on demand.

18. Creditors: Amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	3,754	5,764	3,752	5,717
Due to group undertakings	-	-	-	13,423
Accruals and deferred income	12,122	13,493	11,216	12,570
Charges and rents in advance	5,622	6,119	5,473	6,024
Deferred Income – buy back properties	610	798	457	613
Taxation and social security	4,525	4,358	4,396	4,229
Other creditors	13,277	12,755	11,673	10,893
Unpaid pension contributions	1,111	677	1,086	662
Loans – principal and interest	2,035	2,241	1,789	1,287
	<u>43,056</u>	<u>46,205</u>	<u>39,842</u>	<u>55,418</u>

METHODIST HOMES
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19. Creditors: Amounts falling due after more than one year

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Derivative financial instruments	6,006	4,635	6,006	4,635
Loans:				
- Between one and two years	1,909	2,516	1,661	1,550
- Between three and five years	6,450	7,093	5,735	5,351
- In five years or more	87,849	90,148	84,965	87,037
Less loan arrangement fees	(527)	(660)	(527)	(660)
	95,681	99,097	91,834	93,278
Unamortised grants – deferred income:				
- Between one and two years	991	1,021	-	-
- Between three and five years	2,894	2,948	-	-
- In five years or more	12,389	13,326	-	-
	16,274	17,295	-	-
Deferred Income – buy back properties:				
- Between one and two years	483	711	354	540
- Between three and five years	551	1,069	281	724
- In five years or more	140	191	23	30
	1,174	1,971	658	1,294
Total	119,135	122,998	98,498	99,207

The loans are secured on certain Care Home and housing properties, representing 51% of the value of Freehold Land and Buildings (2019:48%) with a Net Book Value of £149,493,000 (2019: £150,066,000). The interest rates payable on these loans, plus the short-term loans of £2,035,000 (2019: £2,403,000), are as detailed below, confirming the drawn down amounts as at 31 March 2020, the interest rate and the respective terms.

Company £'000

- £70,000 is fixed at a rate of 4.3% until March 2025
- £24,282 is payable at LIBOR plus a margin 0.8% until December 2030
- £94,282 **Company total**

Subsidiaries £'000

- £2,840 is payable at LIBOR plus a margin of 0.5% until 31 December 2021
- £116 is fixed at a rate of 4.5% until 1 March 2023
- £1,138 is fixed at a rate of 10.7% until 31 March 2049
- £4,094 **Subsidiaries total**
- £98,376 **Group total**

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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19. Creditors: Amounts falling due after more than one year (continued)

Below are the drawn down amounts as at 31 March 2019, the interest rate and the respective terms.

Company £'000

- £70,000 is payable at LIBOR plus a margin of 2.2% until March 2025
- £25,357 is payable at LIBOR plus a margin 0.8% until December 2030
- £95,357 **Company total**

Subsidiaries £'000

- £3,055 is payable at LIBOR plus a margin of 0.5% until 31 December 2021
- £140 is fixed at a rate of 4.5% until 1 March 2023
- £1,147 is fixed at a rate of 10.7% until 31 March 2049
- £2,430 is payable at LIBOR plus a margin of 1% until 7 January 2024
- £6,772 **Subsidiaries total**
- £102,129 **Group total**

Of the outstanding loan balance £70,000,000 (2019: £70,000,000) relates to loans that are non-amortising.

The Company has fixed interest rates to guard against future rate movements on £70,000,000 (2019: £70,000,000) of the loan balance. The fair value of the interest swaps as at 31st March 2019 is a £6,006,000 liability (2019: £4,635,000 liability) representing the cost of exiting this arrangement, which is not currently intended by the company. The recognised loss on cash flow hedges in the year is £1,371,000 (2019: loss of £864,000). This reflects the net of the fair value loss on derivatives of £2,266,000 (2019: loss of £1,791,850) and the losses recycled to bank loan interest of £895,000 (2019: losses recycled of £927,000). The amounts recycled to bank loan interest represent the cash paid on derivatives during the year.

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20. Provisions for Liabilities

20.a Provisions for liabilities (current year)

	1 April 2019 £'000	Created on new transactions £'000	Charge for year £'000	Increase in provision £'000	Utilisation of provision £'000	31 March 2020 £'000
Group						
Guarantee property buy-backs	46,170	1,671	1,280	-	(6,918)	42,203
Remediation provision	422	-	-	-	-	422
Retirement Living provision	1,276	-	-	452	-	1,728
Housing for Sale provision	833	-	-	-	(50)	783
	<u>48,701</u>	<u>1,671</u>	<u>1,280</u>	<u>452</u>	<u>(6,968)</u>	<u>45,136</u>

Company

Guarantee property buy-backs	32,426	129	784	-	(4,794)	28,545
Retirement Living provision	1,276	-	-	452	-	1,728
Housing for Sale provision	833	-	-	-	(50)	783
	<u>34,535</u>	<u>129</u>	<u>784</u>	<u>452</u>	<u>(4,844)</u>	<u>31,056</u>

20.b Provisions for liabilities (prior year)

	1 April 2018 £'000	Created on new transactions £'000	Charge for year £'000	Decrease in provision £'000	Utilisation of provision £'000	31 March 2019 £'000
Group						
Guarantee property buy-backs	49,459	2,290	2,295	-	(7,874)	46,170
Remediation provision	422	-	-	-	-	422
Retirement Living provision	-	1,276	-	-	-	1,276
Housing for Sale provision	570	263	-	-	-	833
	<u>50,451</u>	<u>3,829</u>	<u>2,295</u>	<u>-</u>	<u>(7,874)</u>	<u>48,701</u>

Company

Guarantee property buy-backs	36,133	596	1,706	-	(6,009)	32,426
Retirement Living provision	-	1,276	-	-	-	1,276
Housing for Sale provision	570	263	-	-	-	833
	<u>36,703</u>	<u>2,135</u>	<u>1,706</u>	<u>-</u>	<u>(6,009)</u>	<u>34,535</u>

METHODIST HOMES
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20. Provisions for liabilities prior year (continued)

The guarantee property buy-backs provision arises when MHA enters into transactions to sell the leasehold interest in Retirement Living properties with an option (exercisable by either party) for MHA to re-purchase the leasehold at a pre-agreed amount. Buy-back commitments have been estimated to average nine years (2019: nine years). Provisions are discounted at the appropriate risk free rate. The relevant nine and five year government bond rates have been used depending on the remaining expected life of the individual commitments by property, these being 0.3% and 0.2% respectively (2019: 0.9% and 0.8%). The approximate effects of changes to the discount rate by 1% or a one year change to the buy-back commitment life has been sensitised and deemed not to have a material effect on the provision.

The remediation provision relates to ongoing works at Auchlochan village for planned refurbishment. It is expected to be settled in the next 12 months.

The Housing for Sale provision relates to an onerous contract where the purchase price of properties purchased in the 'Put Option' at Mickle Hill, Pickering are estimated to exceed the likely net sale proceeds. During March 2019 a 'Put Option' at the Mickle Hill, Pickering Retirement Living Scheme was exercised by the Developer in line with the contractual agreement. This was completed in May 2019, when MHA took ownership of 14 apartments; MHA intend to sell or rent these properties to grow the vibrant community at that scheme. This provision accounts for the known transaction in the financial year that the 'Put Option' was exercised. £50,000 of this provision was utilised in the year against costs incurred in marketing of the properties.

The Retirement Living provision relates to a possible outflow from a consultation process and is expected to be settled in the next 12 months.

21. Financial instruments

Group

The Group has the following financial instruments:

	Note(s)	2020 £'000	2019 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	17	7,003	8,771
Other debtors and accrued income		2,684	891
		<u>9,687</u>	<u>9,662</u>
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	16	<u>1,315</u>	<u>1,316</u>
Financial liabilities measured at amortised cost:			
Trade creditors	18	(3,754)	(5,764)
Accruals		(9,446)	(11,393)
Loans (including interest)	18/19	(97,716)	(101,338)
Other creditors		(13,725)	(17,079)
		<u>(124,641)</u>	<u>(135,574)</u>
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	19	<u>(6,006)</u>	<u>(4,635)</u>

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21. Financial instruments (continued)

Company

The Company has the following financial instruments:

	Note(s)	2020 £'000	2019 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	17	6,458	8,145
Due from Group members	17	21,104	26,967
Other debtors and accrued income		2,645	1,212
		<u>30,207</u>	<u>36,324</u>
Financial assets measured at fair value through statement of financial activities:			
Investment in securities	16	<u>1,315</u>	<u>1,316</u>
Financial liabilities measured at amortised cost:			
Trade creditors	18	(3,752)	(5,717)
Due to Group undertakings	18	-	(13,423)
Accruals		(8,892)	(10,704)
Loans (including interest)	18/19	(93,623)	(94,565)
Other creditors		(12,730)	(16,001)
		<u>(118,997)</u>	<u>(140,410)</u>
Financial liabilities measured at fair value through statement of financial activities:			
Derivative financial instruments	19	<u>(6,006)</u>	<u>(4,635)</u>
Derivative financial instruments			

The Group has entered into interest rate swaps to mitigate the risk from future rate movement. The fair value of the interest rate swaps as at 31 March 2020 is £6,006,000 (2019: £4,635,000). The fair values of the assets and liabilities held at fair value through the Statement of Financial Activities at the Statement of Financial Position date are determined using quoted prices. Where quoted prices are not available for derivatives the fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates. These instruments are included within cash flow hedge relationships.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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22. Share Capital

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

23. Endowment Funds

23.a Endowment funds (current year)

Movement in Funds							
Group and Company	1 April 2019	Incoming	Outgoing	Gains on investment assets	Transfers between restricted funds	Transfers between restricted and unrestricted funds	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
H D Clarke Memorial Redcroft Residential Home	928	7	(1)	18	-	-	952
	67	1	-	-	-	-	68
	995	8	(1)	18	-	-	1,020

23.b Endowment funds (prior year)

Movement in Funds							
Group and Company	1 April 2018	Incoming	Outgoing	Gains on investment assets	Transfers between restricted funds	Transfers between restricted and unrestricted funds	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
H D Clarke Memorial Redcroft Residential Home	912	6	-	13	(2)	(1)	928
	65	-	-	-	2	-	67
	977	6	-	13	-	(1)	995

METHODIST HOMES
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For the year ended 31 March 2020

24. Restricted income funds

24.a Restricted income funds (current year)

Movement in Funds

Group

	1 April 2019 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2020 £'000
Care Homes	15,379	219	(990)	(47)	-	1	14,562
Retirement Living	5,050	-	(141)	-	-	1	4,910
Big Lottery Fund grant	-	211	(211)	-	-	-	-
Live at Home	2,190	5,022	(4,164)	-	(6)	6	3,048
Amenity funds	1,658	676	(525)	-	6	-	1,815
	<u>24,277</u>	<u>6,128</u>	<u>(6,031)</u>	<u>(47)</u>	<u>-</u>	<u>8</u>	<u>24,335</u>

24.b Restricted income funds (prior year)

Movement in Funds

Group

	1 April 2018 £'000	Incoming £'000	Outgoing £'000	Gains on investment assets £'000	Transfers between restricted funds £'000	Transfers between restricted and unrestricted funds £'000	31 March 2019 £'000
Care Homes	15,486	656	(480)	16	4	(303)	15,379
Retirement Living	5,845	211	(151)	-	(4)	(851)	5,050
Big Lottery Fund grant	-	191	(191)	-	-	-	-
Live at Home	2,683	4,885	(5,320)	-	(55)	(3)	2,190
Amenity funds	1,243	800	(437)	-	55	(3)	1,658
	<u>25,257</u>	<u>6,743</u>	<u>(6,579)</u>	<u>16</u>	<u>-</u>	<u>(1,160)</u>	<u>24,277</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

24. Restricted income funds (continued)

24.c Restricted income funds (current year)

Movement in Funds

Company

	1 April			Gains on	Transfers	Transfers	31
	2019	Incoming	Outgoing	investment	between	between	March
	£'000	£'000	£'000	assets	restricted	restricted	2020
				£'000	£'000	and	£'000
						unrestricted	
						funds	
Care Homes	15,379	219	(990)	(47)	-	1	14,562
Retirement Living	5,050	-	(141)	-	-	1	4,910
Big Lottery Fund grant	-	211	(211)	-	-	-	-
Live at Home	2,190	5,022	(4,164)	-	(6)	6	3,048
Amenity funds	1,652	647	(493)	-	6	(33)	1,779
	24,271	6,099	(5,999)	(47)	-	(25)	24,299

24.d Restricted income funds (prior year)

Movement in Funds

Company

	1			Gains on	Transfers	Transfers	31
	April	Incoming	Outgoing	investment	between	between	March
	2018	£'000	£'000	assets	restricted	restricted	2019
				£'000	£'000	and	
						unrestricted	
						funds	
Care Homes	15,398	656	(480)	16	-	(211)	15,379
Retirement Living	6,109	211	(151)	-	-	(1,119)	5,050
Big Lottery Fund grant	-	191	(191)	-	-	-	-
Live at Home	2,683	4,885	(5,320)	-	(55)	(3)	2,190
Amenity funds	1,236	794	(433)	-	55	-	1,652
	25,426	6,737	(6,575)	16	-	(1,333)	24,271

The Homes and Retirement Living funds relate to amounts donated for use and subsequently used to improve specific Homes or Schemes. The Live at Home Scheme funds relate to amounts raised by local schemes to fund their day to day running costs. Amenity funds relate to amounts raised for the provision of additional benefits for residents and tenants within a specific Home or Scheme.

Big Lottery Fund Grants of £211,000 (2019: £191,000) were received in the year to support Live at Home.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

25. Funds

25.a Funds (current year)

	Restricted Income Funds	Endowment Funds	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000
Group				
At 1 April 2019	24,277	995	261,618	286,890
Surplus for the year	50	25	14,969	15,044
Actuarial gain	-	-	1,965	1,965
Deficit on interest rate swaps	-	-	(1,371)	(1,371)
Transfers	8	-	(8)	-
At 31 March 2020	24,335	1,020	277,173	302,528

25.b Funds (prior year)

	Restricted Income Funds	Endowment Funds	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000
Group				
At 1 April 2018	25,257	977	250,758	276,992
Surplus for the year	180	19	9,616	9,815
Actuarial gain	-	-	947	947
Deficit on interest rate swaps	-	-	(864)	(864)
Transfers	(1,160)	(1)	1,161	-
At 31 March 2019	24,277	995	261,618	286,890

25.c Funds (current year)

	Restricted Income Funds	Endowment Funds	Merger Reserve	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000	£'000
Company					
At 1 April 2019	24,271	995	(4,698)	222,218	242,786
Surplus for the year	53	25	-	13,105	13,183
Actuarial gain	-	-	-	1,965	1,965
Deficit on interest rate swaps	-	-	-	(1,371)	(1,371)
Impairment	-	-	1,566	(1,566)	-
Transfers	(25)	-	-	25	-
At 31 March 2020	24,299	1,020	(3,132)	234,376	256,563

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

25. Funds (continued)

25.d Funds (prior year)

	Restricted Income Funds	Endowment Funds	Merger Reserve	Unrestricted Income Fund	Total
	£'000	£'000	£'000	£'000	£'000
Company					
At 1 April 2018	25,426	977	-	224,479	250,882
Surplus/(loss) for the year	178	19	-	(3,678)	(3,481)
Actuarial gain	-	-	-	947	947
Deficit on interest rate swaps	-	-	-	(864)	(864)
Transfer of subsidiary	-	-	(4,698)	-	(4,698)
Transfers	(1,333)	(1)	-	1,334	-
At 31 March 2019	24,271	995	(4,698)	222,218	242,786

The company's surplus before donations for the year to 31 March 2020 amounted to £9,200,000 (2019: £9,078,000). The company's surplus after donations for the year to 31 March 2020 amounted to £13,183,000 (2019: loss of £3,398,000) from a gross income of £234,878,000 (2019: £219,560,000).

26. Pensions and Similar Obligations

A defined contribution scheme, Growth Plan 4, was available to all employees. The charge for the year covered 320 (2019: 341) employees. The contribution rate of MHA for the year varied between 2% and 6% depending on the employee's contribution, which is a minimum of 6%.

MHA operates a number of pension schemes;

(i) A defined benefit scheme, which was a funded scheme, with the assets held in separate Trustee administered funds, was closed to new members and future accrual on 31 March 2010.

As per para 28.38 of FRS102, where an entity participates in a defined benefit plan that shares risks between entities under common control it shall obtain information about the plan as a whole measured in accordance with this FRS on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging the net defined benefit cost of a defined benefit plan as a whole measured in accordance with this FRS to individual group entities, the entity shall, in its individual financial statements, recognise the net defined benefit cost of a defined benefit plan so charged. If there is no such agreement or policy, the net defined benefit cost of a defined benefit plan shall be recognised in the individual financial statements of the Group entity which is legally responsible for the plan. The other Group entities shall, in their individual financial statements, recognise a cost equal to their contribution payable for the year. Methodist Homes is the sponsoring employer of the defined benefit pension scheme and has legal responsibility for the plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual Group entities and therefore the Company has recognised the entire net defined benefit cost and the relevant net defined benefit liability of the defined benefit pension scheme in its individual financial statements.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pensions and Similar Obligations (continued)

The financial assumptions used to calculate the Group's scheme liabilities are as follows:

	2020	2019	2018	2017
	%pa	%pa	% pa	% pa
Inflation (CPI)	1.7%	2.3%	2.2%	2.3%
Inflation (RPI)	2.7%	3.3%	3.2%	3.3%
Rate of increase in salaries	3.2%	3.8%	4.2%	4.3%
Rate of increase for pensions in payment	1.5%	1.8%	1.7%	1.8%
Rate of increase for deferred pensions	2.7%	3.3%	3.2%	3.3%
Discount rate	2.3%	2.4%	2.6%	2.6%

Pensions accrued before 1 January 2000 for members who joined the scheme before 1 November 1998 are subject to guaranteed fixed increases of 5% (2019: 5%) per annum in deferment and in payment.

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

	2020	2019	2018	2017
	SIPA Year of birth CMI09 with a minimum improvement of 1.3% p.a. for males and 1.0% p.a. for females	SIPA Year of birth CMI09 with a minimum improvement of 1.3% p.a. for males and 1.0% p.a. for females	SIPA Year of birth CMI09 with a minimum improvement of 1.3% p.a. for males and 1.0% p.a. for females	SIPA Year of birth CMI09 with a minimum improvement of 1.5% p.a. for males and 1.3% p.a. for females
Life expectancy				

The assumed life expectations on retirement age 65 are:

	2020	2019	2018	2017
	Years	Years	Years	Years
Pensioner currently aged 65:				
Male	21.9	22.0	22.4	23.2
Female	23.7	23.7	24.0	24.9
Non-Pensioner currently aged 45:				
Male	23.2	23.4	23.8	24.9
Female	24.9	24.9	25.3	26.4

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the Statement of Financial Position date, whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pensions and Similar Obligations (continued)

The fair value of assets in the scheme, the present value of the liabilities in the scheme and the long-term rate of return expected at the Statement of Financial Position date were:

	Fair value 2020 £'000	Fair value 2019 £'000
Equities	6,668	28,491
Government bonds	33,729	24,847
Property	3,140	2,720
Other	19,829	373
Total market value of assets	<u>63,366</u>	<u>56,431</u>
Present value of scheme liabilities	<u>(59,577)</u>	<u>(59,946)</u>
Surplus/(deficit) in the scheme	<u>3,789</u>	<u>(3,515)</u>
Effect of asset ceiling	<u>(3,789)</u>	<u>-</u>
Net pension asset/(liability) under FRS102	<u>-</u>	<u>(3,515)</u>

An asset ceiling has been applied to limit the impact of the surplus on the scheme calculated on an Accounting provision FRS102 basis in line with the advice from TPT Retirement Solutions and the pension scheme rules.

The last formal valuation of the scheme was performed as at 30 September 2018 by a professionally qualified actuary.

The actuary has confirmed that the existing contribution level can be reduced given the deficit which is forecast to be removed within 10 years.

The Group's pension charge for the year calculated under FRS102 assumptions is included in the financial statements.

Analysis of amounts charged to net incoming resources

	2020 £'000	2019 £'000
Current service cost	-	-
Expenses	(177)	(365)
Expected return on scheme assets	1,353	1,381
Interest on pension scheme liabilities	<u>(1,418)</u>	<u>(1,512)</u>
Net cost	<u>(65)</u>	<u>(131)</u>
Total cost	<u>(65)</u>	<u>(131)</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pensions and Similar Obligations (continued)

Analysis of amount recognised as Actuarial gain/(loss)

	2020	2019
	£'000	£'000
Actuarial gain recognised in the Consolidated Statement of Financial Activities	1,965	947
Total credit to Consolidated Statement of Financial Activities	1,723	451
Cumulative actuarial losses	(9,927)	(11,892)

Statement of Financial Position impact	2020	2019
	£'000	£'000
Present value of funded obligations	(59,577)	(59,946)
Fair value of scheme assets	63,366	56,431
Surplus/(deficit) in the scheme at 31 March	3,789	(3,515)
Effect of asset ceiling	(3,789)	-
Net pension asset/(liability) under FRS102	-	(3,515)

Changes in the present value of the defined benefit obligation	2020	2019
	£'000	£'000
Opening defined benefit obligation	59,946	59,194
Service cost	-	239
Interest cost	1,418	1,512
Actuarial (gain)/loss	(39)	1,136
Net benefits paid	(1,748)	(2,135)
Closing defined benefit obligation	59,577	59,946

Changes in fair value of plan assets	2020	2019
	£'000	£'000
Opening fair value of plan assets	56,431	53,240
Expected return	1,353	1,381
Actuarial gain	5,715	2,083
Contributions by employer	1,792	1,988
Net benefits paid	(1,748)	(2,135)
Expenses	(177)	(126)
Closing fair value of plan assets	63,366	56,431
Return on plan assets	7,068	3,464

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. Pensions and Similar Obligations (continued)

- (ii) The previous Growth Plan is a multi-employer defined benefit scheme which is administered by TPT Retirement Solutions. The actuary has completed a tri-annual valuation as at 30 September 2018 showing a funding level of 74%. Additional contributions of £76,000 (2019: £64,000) were paid during the year.
- (iii) The contribution by the Group to the defined benefit scheme paid during the year amounted to £1,792,000 (2019: £1,988,000). Further payments will be made in future years to further reduce the pension deficit shown in the last tri-annual valuation.
- (iv) The current growth plan is a multi-employer defined contribution scheme. Contributions paid during 2019/20 in respect of the defined contribution scheme were £603,000 (2019: £671,000).
- (v) During the year all employees were eligible to join the auto-enrolment scheme. The new scheme is compulsory for all employees who have not specifically opted out of the scheme. MHA contributed 3% of pensionable pay for all those included in the scheme from 1 April 2013. The contributions for the year were £2,686,000 (2019: £1,710,000).

27. Notes to the Cash Flow Statement

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

	2020	2019
	£'000	£'000
Net income	15,044	9,815
Unrealised losses/(gains) on investment	30	(36)
Investment income	(285)	(161)
Release of capital grants	(1,021)	(1,041)
Interest charge	3,730	3,786
Profit on sale of Retirement Living Housing	(5,862)	(13,610)
Depreciation charges	13,725	13,490
Amortisation	166	1,218
Impairment of fixed assets	295	1,850
Defined benefit scheme pension contributions paid in the year	(1,792)	(1,988)
Defined benefit scheme pension cost charged in the year	242	496
Increase in debtors	(359)	(262)
(Decrease)/increase in creditors and provisions	(5,361)	3
Net cash provided by operating activities	<u>18,552</u>	<u>13,560</u>

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

Cash and cash equivalents amounting to £244,000 (2019: £237,000) held in endowment funds are not available for use to further charitable activities as they are held for particular purposes and are intended to be permanent.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

27. Notes to the Cash Flow Statement (continued)

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

	2020	2019
	£'000	£'000
Increase in cash and cash equivalents	4,124	20,147
Cash movement in borrowings	3,756	3,387
Change in net funds resulting from cash flows	7,880	23,534
Change in net funds resulting from non-cash flows	(132)	(146)
Movement in net debt		
Net debt as at 1 April	(59,727)	(83,115)
Net debt as at 31 March	(51,979)	(59,727)

c) i) Analysis of changes in net debt (current year)

	1 April 2019	Cash flow	Non-cash changes	31 March 2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	41,611	4,124	-	45,735
Loans due within one year	(2,241)	2,034	(1,828)	(2,035)
Loans due after more than one year	(99,097)	1,722	1,696	(95,679)
	(59,727)	7,880	(132)	(51,979)

c) ii) Analysis of changes in net debt (prior year)

	1 April 2018	Cash flow	Non-cash changes	31 March 2019
	£'000	£'000	£'000	£'000
Cash at bank and in hand	21,464	20,147	-	41,611
Loans due within one year	(2,285)	2,284	(2,240)	(2,241)
Loans due after more than one year	(102,294)	1,103	2,094	(99,097)
	(83,115)	23,534	(146)	(59,727)

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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28. Group Structure

Methodist Homes has the following subsidiary undertakings:

Methodist Homes Housing Association Ltd

Incorporation:	Co-operative and Community Benefit Societies Act 2014
Registered Office:	Epworth House, Stuart Street, Derby, DE1 2EQ, United Kingdom
Registered Number:	LH2343
Principal activity:	Charitable provision and management of social housing.

	2020	2019
	£'000	£'000
Assets	71,808	72,318
Liabilities	(22,505)	(24,463)
Funds	49,303	47,855
Incoming resources	6,618	6,747
Resources expended	(5,170)	(5,199)
Movement in funds	1,448	1,548

MHA Auchlochan Ltd

Incorporation:	Charity Registered Number SCO40155
Company Registered Number:	SC352117
Registered Office:	Auchlochan House, New Trows Road, Lesmahagow, ML11 0JS, United Kingdom
Principal activity:	Charitable provision and management of residential Care Homes.

	2020	2019
	£'000	£'000
Assets	33,288	33,907
Liabilities	(36,627)	(37,664)
Funds	(3,339)	(3,757)
Incoming resources	9,801	9,304
Resources expended	(9,383)	(9,292)
Movement in funds	418	12

Silk Healthcare Ltd

Company Registered Number:	05893616
Registered Office:	Epworth House, Stuart Street, Derby, DE1 2EQ, United Kingdom
Principal activity:	Provision of Healthcare

	2020	2019
	£'000	£'000
Assets	-	942
Liabilities	-	-
Funds	-	942
Incoming resources	-	10,885
Resources expended	-	(11,611)
Movement in funds	-	(726)

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
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28. Group Structure (continued)

Silk Healthcare Holdings Ltd

Company Registered Number: 07839421
Registered Office: Epworth House, Stuart Street, Derby, DE1 2EQ, United Kingdom
Principal activity: Holding Company of two subsidiaries

	2020	2019
	£'000	£'000
Assets	-	522
Liabilities	-	-
Funds	-	522
Resources expended	-	-
Movement in funds	-	-

SwiftBuild Properties Ltd

Company Registered Number: 05095073
Registered Office: Epworth House, Stuart Street, Derby, DE1 2EQ, United Kingdom
Principal activity: Development of Care Homes

	2020	2019
	£'000	£'000
Assets	-	4,567
Liabilities	-	-
Funds	-	4,567
Resources expended	-	-
Movement in funds	-	-

The two (2019: five) organisations are deemed to be subsidiaries of Methodist Homes by means of various intragroup agreements.

29. Related party transactions

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

The contribution by the Group to the defined benefit scheme paid during the year amounted to £1,769,254 (2019: £1,988,328).

During the financial year to 31 March 2020 one (2019: two) members of the Leadership Team and The Board had close family members residing in the company's Care Homes. In both situations arrangements were established and continue to be monitored in accordance with the company's published relatives' policy. The policy stipulates line management oversight of all instances where MHA services are provided to relatives of Board Members and employees. The policy ensures that there is no preference given to the availability or price of MHA's services and also ensures the safeguarding of family members and carers.

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

29. Related party transactions (continued)

The related party transactions are as follows:

	2020	2019
	£'000	£'000
Transactions		
Pension scheme – Defined benefit	1,769	1,988
	<u>1,769</u>	<u>1,988</u>

	2020	2019
	£'000	£'000
Balances		
Pension scheme – Defined benefit	-	(3,515)
	<u>-</u>	<u>(3,515)</u>

METHODIST HOMES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

30. Statement of Financial Activities for prior year

	Note(s)	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 £'000
Income and endowments from:					
Donations and legacies	2	969	4,102	-	5,071
Charitable activities					
Homes		189,037	197	-	189,234
Retirement Living		47,683	44	-	47,727
Live at Home		-	2,377	-	2,377
Other		1,189	-	-	1,189
Total charitable activities	3/6	237,909	2,618	-	240,527
Investments	4	132	23	6	161
Total		239,010	6,743	6	245,759
Expenditure on:					
Raising funds		497	-	-	497
Charitable activities					
Homes		178,944	736	-	179,680
Retirement Living		42,437	227	-	42,664
Live at Home		-	5,512	-	5,512
Other		6,947	104	-	7,051
Total charitable activities	6	228,328	6,579	-	234,907
Other		576	-	-	576
Total	5	229,401	6,579	-	235,980
Net (losses) on investments	11	7	16	13	36
Net income		9,616	180	19	9,815
Transfer between funds		1,161	(1,160)	(1)	-
Other recognised gains/(losses):					
Actuarial gains on defined benefit pension schemes	26	947	-	-	947
Other losses – interest rate swaps		(864)	-	-	(864)
Net movement in funds		10,860	(980)	18	9,898
Reconciliation of funds:					
Total funds brought forward		250,758	25,257	977	276,992
Total funds carried forward		261,618	24,277	995	286,890