

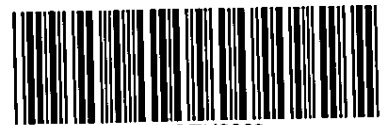
**MHA CARE GROUP
REPORT AND ACCOUNTS**

31 March 2008

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

**BAKER TILLY UK AUDIT LLP
Chartered Accountants
Birmingham**

THURSDAY



**A38 "AUQEH290" 357
14/08/2008
COMPANIES HOUSE**

MHA CARE GROUP

ACCOUNTS

31 March 2008

CONTENTS

	Pages
Officers and advisors	1 - 2
Board of Directors' Report	3 - 10
Statement of the Board's Responsibilities	11
Independent Auditor's Report	12
Consolidated Income and Expenditure Account	13
Consolidated Statement of Total Recognised Surpluses and Deficits	14
Parent Company Balance Sheet	15
Consolidated Balance Sheet	16
Consolidated Cash Flow Statement	17
Notes to the Financial Statements	18 - 37

MHA CARE GROUP
OFFICERS AND ADVISORS

Patrons

The Rt Hon The Lord Archer of Sandwell QC (President)
Baroness Kathleen Richardson of Calow, OBE
Pam Rhodes
Baroness Emma Nicholson of Winterbourne MEP (retired March 2007)

BOARD

	Born	Term of office	Committee memberships
Chair			
Brian Coldwell	1932	2002	MHA Care Group Board Succession Committee, Remuneration Committee, Audit Committee,
Other Board Members			
Ebele Akojie	1969	Jul 2007	Audit Committee, Development Committee
Stephen Duckworth	1939	2002- Jul 2008	Pensions Committee
Terry Gill	1945	2001- Jul 2007	Audit Committee, MHA Group Board Succession Committee
David Hall	1941	2006	Pensions Committee
David Hobbs	1947	2006	Development Committee
Shelagh Morgan	1953	2006	Remuneration Committee
Rev Peter Mortlock	1945	2000 – Jul 2008	Development Committee, Remuneration Committee
Keith Salsbury	1946	2004- Jul 2007, Jul 2008	
Graham Smith	1950	2001- Jul 2007, Jul 2008	
Alan White	1944	Jul 2008	

Corporate Management Team	Born	Joined	Position
Rev Dr Keith Albans	1956	2001	Group Director - Chaplaincy & Spirituality
Carol Artis	1953	2005	Group Director - Operations
Jane Barker	1961	1999	Group Director - Strategic Partnerships
Lorelei Jarvis	1956	Jun 2008	Group Director – Housing and Care
Roger Davies	1959	1999	Group Chief Executive
Rosie Forrest	1962	2006	Head of Human Resources
Anna Marshall-Day	1972	2006	Group Company Secretary
Paul Milner	1964	2002	Group Director - Finance
Steve Reynolds	1951	1999	Group Director – Service Improvements

Company Secretary

Anna Marshall-Day

MHA CARE GROUP

OFFICERS AND ADVISORS (continued)

REGISTERED OFFICE

MHA Care Group
Epworth House
Stuart Street
DERBY
DE1 2EQ

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

CHARITY REGISTERED NUMBER

1083994

REGISTERED SOCIAL LANDLORD NUMBER

LH4300

**COMPANY REGISTERED IN ENGLAND
AND WALES NUMBER**

4038631

PROFESSIONAL ADVISORS

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
B2 2ES

Registered Auditor

Baker Tilly UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Bankers

HSBC Plc
70 Pall Mall
London
SW1Y 5EZ

Investment advisors

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

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2008

1 Structure, Governance and Management

Governing Document

MHA Care Group is a company limited by guarantee (Companies House No 4038631), a registered Charity (Registered Charity No 1083994) and a Registered Social Landlord (Housing Corporation No LH4300) It is governed by Memorandum and Articles of Association

MHA Care Group is responsible for strategic direction, policy and the employment of the senior management team The relationship between the Group members is defined in an Independence Agreement Management Agreements have been established whereby services provided by the Group parent to the subsidiaries are clearly defined

Organisational Structure

The Board consists of up to 12 Board Members, a third of whom are Methodist Church appointments, a third of whom are independent nominations and a third of whom are representatives from the Group's subsidiary organisations

The Board has the following committees

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

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

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

- As an organisation concerned with older people, it is not considered appropriate to apply an age limit for Board members

Election and appointment of Board Members

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

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

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

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2008

Induction and training of Board Members

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

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

Patrons

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

Connected Charities

MHA Care Group works closely with its two subsidiary charitable organisations
Methodist Homes for the Aged (MHA)
Methodist Homes Housing Association (Association)

Risk Management

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

2 Objectives and Activities

The objects of the Charity, MHA Care Group, are to provide services for older people and other adults in need in the United Kingdom and elsewhere, particularly (but not limited to) those with mental illness or physical/learning disabilities by providing

- housing accommodation, and/or
- care and support services, and/or
- any other provision which may facilitate an improved quality of life

MHA Care Group is 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.

Our Mission is to improve the quality of life for older people, inspired by Christian concern.

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

BOARD OF DIRECTORS' REPORT

31 March 2008
(continued)

Our main objectives for the coming year

- to ensure the quality of services is maintained and enhanced,
- to develop our managers and staff to enhance their experience of working for MHA and enhance our service,
- to extend our services to more older people, and
- to reach out to other organisations of similar values who may wish to become part of MHA Care Group or receive our management services

The strategies to achieve these objectives and the measures of success are

- to upgrade some of our existing buildings to create a more attractive place to live, to time and budget,
- to build new Homes and Housing schemes to a high standard, to time and budget,
- to provide personal development opportunities for managers and staff, to seek direct feedback and reductions in staff turnover and absence rates,
- to continue to develop our person-centred service for older people and seek user satisfaction improvements,
- to ensure each Home and Scheme achieves quality and financial targets, and
- to take opportunities to develop partnerships with like-minded organisations

Significant activities

The significant activities undertaken are

I Residential, Dementia and Nursing Care Homes

24 hour person-centred care and support in specially designed accommodation, mostly with private en-suite bedrooms and spacious dining facilities, communal areas and gardens. Full and varied activity programmes, including shared worship, are made available to meet the needs of each individual

II Sheltered Housing and Housing with Care

Purpose built apartments with individual kitchen, bathroom, bedroom and living areas for independence and privacy coupled with shared areas for activities, social events and friendship. The Manager organises cleaning and maintenance of the building and gardens and is also on hand to provide assistance, ensuring safety and security. Housing with Care offers the addition of 24 hour staffing to provide person-centred care and support to meet individual needs, including specialist dementia care

III Supported Retirement Housing for Sale

All the advantages of Sheltered Housing, but available for purchase to individuals or couples who wish to own their home and benefit from support as required

IV Live at Home schemes

Companionship, outings and help with shopping, nourishing hot meals and social activities organised by staff supported by volunteers - all designed to help older people stay independent and supported in their own home and community

v Consultancy Services to other charitable organisations

MHA provides management expertise in the day-to-day running of care homes and housing, managing all operations on behalf of other organisations

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2008

3 Achievements and Performance

2008 marks the 65th anniversary of MHA Care Group's subsidiary, Methodist Homes for the Aged. During this special year, the whole Group acquired seven care homes and a housing scheme for a total of 267 older people, developed two brand new care homes providing nursing, dementia and residential care for 142 older people, as well as building three new supported retirement housing developments providing 57 additional places, and a 46-place mixed tenure housing development with 24-hour specialist care including dementia. This increase in services results in the whole Group now providing housing, care and support to over 12,500 older people nationwide.

The year culminated in a variety of celebrations in MHA's care homes, housing and community services. Residents, tenants and live at home members enjoyed parties, gala dinners, music events and dedication services. Our President, Lord Archer of Sandwell hosted an event at the House of Lords, where Sister Marjorie Whitfield, a tenant at Walcot Court in Bath and former Association Board Member, told of the difference MHA had made to her life. Margaret Harris, the granddaughter of our founder, Rev Walter Hall, spoke of her memories of MHA's care home in Shirley, Surrey, named 'Hall Grange' in his honour. Special guest Dame Denise Platt, Chair of the Commission for Social Care Inspection (CSCI), reported on the Commission's findings that, "Care services run by voluntary organisations continue to perform better than private and council-run services". CSCI has confirmed that all our services are doing extremely well in meeting standards, awarding 84% of our services a quality rating of 'good' or 'excellent'. These celebrations mark the achievements of so many generous donors, 5,000 volunteers, and 4,000 staff, who continue to support our work and enable older people to live life to the full.

<p>In 2007/8, We said we would</p>	<p>Here's what we did:</p>
<p>Deliver a quality service</p>	<ul style="list-style-type: none"> • Achieved CSCI quality ratings of 84% of our services at 'good' or 'excellent' with all services meeting standards • Carried out an independent survey for those in our care homes, who gave a satisfaction level of 81% • Those using our housing services gave a satisfaction rating of 78%, and 96% stated that they would consider or definitely recommend our housing to others
<p>Develop our services in the areas of well-being, chaplaincy, end of life, and dementia care</p>	<ul style="list-style-type: none"> • Offered reflexology to residents promoting relaxation • Extended individual and group activities to support well-being • Supported a network of over 100 Chaplains providing individual pastoral support and worship services • Shared our 'Final Lap' training with all staff to support older people and their families as they near the end of their life • Encouraged life-story and reminiscence work for older people to recollect memories and celebrate their lives
<p>Encourage others to join MHA allowing our work to be extended to more older people</p>	<ul style="list-style-type: none"> • Acquired seven care homes and a housing scheme from a charity and two housing associations, allowing us to extend our special service to an extra 262 individuals
<p>Offer our special management services to similar organisations</p>	<ul style="list-style-type: none"> • Provided management services to a smaller charity and two faith-based non-profit organisations, delivering quality care for 150 more older people
<p>Develop purpose-built care homes with design features to meet the needs of today and tomorrow's older people</p>	<ul style="list-style-type: none"> • Opened a brand new Dementia and Nursing Care Home in Aberystwyth, providing specialist care and support for 90 older people

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2008

3 Achievements and Performance (cont)

<p>Invest in improving existing services so that buildings are maintained to the highest standards, complementing the care and support provided to older people</p>	<ul style="list-style-type: none"> • Completely re-built our existing Care Home in Hitchin to offer residential and dementia care, including care suites to enable couples to remain living together • Completed an extensive refurbishment programme throughout our housing schemes to upgrade heating, lighting, security and call systems, and to replace windows, doors and add new conservatories • Extended and refurbished our home in Ipswich to provide more dementia care as well as upgrading throughout
<p>Support staff to achieve the skills and knowledge required to serve older people</p>	<ul style="list-style-type: none"> • Delivered development training to managers and those with potential to make the most of their abilities and provide a high-class service • Provided innovative 'e-learning' to all staff, with training in care, health and safety, and food hygiene • Supported our care staff with 55% now qualified to NVQ level 2 or above • Trained staff in specialist dementia care in partnership with The Alzheimer's Society
<p>Extend our housing with 24-hour care offering a greater range of support for older people</p>	<ul style="list-style-type: none"> • Completed our development of 46 apartments in Bradford for older people, including those with dementia Apartments are occupied on rental, purchase and part-ownership basis 'Rowanberries' offers 24-hour specialist care, a day centre and enhanced assistive technology
<p>Develop supported retirement housing for sale to enable older homeowners to get the help they need whilst retaining their equity</p>	<ul style="list-style-type: none"> • Built and opened two developments in Bristol and a further development made available in Cornwall offering nearly 60 apartments Two of these properties also offer Church facilities to the local community
<p>Provide a variety of community services to enable people to continue living in their own homes</p>	<ul style="list-style-type: none"> • Supported our live at home initiative to help 8,000 older people remain independent and enjoy life • Provided personal care to local people in Exning, Suffolk • Made a grant to a community group in south London to reach out to more older people including those from black and ethnic minority communities • Piloted a home care service for people with dementia in Bradford

Employees

MHA Care Group employs the Corporate Management Team, senior managers and staff working in supporting functions such as Finance, IT, Property, HR and Fundraising The Group is fortunate in employing so many managers and staff who share our values and provide an exceptional service to older people, and we are grateful for their contribution

The Board establish the objectives of the Group Chief Executive and monitor achievement

The Board and Corporate Management Team work closely together to establish the right policy and strategic framework for our work Performance objectives are established throughout the organisation and measured on a regular basis

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2008

4 Financial Review

The Income and Expenditure account shows turnover for the year of £88.6m, an 18% increase on the previous financial year. We exceeded our financial targets for the year as a result of increasing the number of care homes.

The net movement of funds of £15.0m is added to the total balances brought forward of £93.6m.

Key Indicators

	2008-09 Target £m	2007/08 Target £m	2007/08 Actual £m	2006/07 Actual £m	2005/06 Actual £m	2004/05 Actual £m
Total income	101.1	84.9	93.1	76.8	68.0	52.1
Operating costs	89.2	74.6	77.4	65.0	60.5	45.7
Net interest charges	1.6	1.2	1.0	0.7	0.6	0.1
Surplus for the year	13.4	10.2	15.0	11.2	8.0	7.1
Service users - Homes	3,000	2,760	2,850	2,600	2,500	2,080
- Housing	1,500	1,500	1,500	1,300	1,300	1,130
- Community Services	8,000	8,000	8,000	8,000	8,000	7,900
Occupancy - Homes	97.3%	97.4%	95.9%	96.4%	96.1%	96.2%
- Housing	98.0%	99.3%	99.5%	99.6%	99.3%	99.3%
Service user satisfaction						
Charity	83%	83%	81%	81%	79%	76%
Housing Association	80%	85%	78%	88%	88%	90%
Cost of fundraising to charitable income	12.7%	12.8%	10.9%	13.7%	15.6%	11.7%

Reserves policy

The Board of Directors have considered the level of reserves which should be maintained within the Group and this is reviewed annually. Such reserves are needed to cover, for example, working capital, the risk of possible shortfalls in charitable income and other contingencies. The Board considers that minimum reserves of cash and investments of approximately £5m are needed to cover such items, and to enable the Group to continue to operate to meet its charitable objectives. Actual reserves were £11.9m (2007 £7.8m).

The level of free reserves, excluding long-term loans (which have been taken out to finance the development programme), restricted and designated funds and those invested in fixed assets are £24.9m (2007 £15.8m). The reserves are earmarked for future service development.

Investment policy

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

- General funds target to provide working capital in line with the reserves policy by investing 65% to 85% in equities (actual 68%) and 15%-35% in fixed interest securities (actual 19%)
- Restricted funds target (excluding Live at Home and Amenity Funds) investing 50%-75% in equities (actual 56%), 25%-50% in fixed interest securities (actual 27%) and 0%-10% in cash (actual 17%)
- Permanent endowment funds target investing 100% (actual 93%) in fixed interest securities excluding a minimum cash balance of £100,000 (actual 7%)

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2008

Investment Policy (cont)

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

The equity investments decreased in value by 1.9% against FTSE All Share index of 2.7%. The fixed interest investments increased in value between 6.1% and 7.4% against FTSE Short Gilt index Composite Index of 7.7%

Principal funding sources

The Charity has arranged a loan facility with the Allied Irish Bank to draw up to £41m (drawn £29m) and the Association has arranged a loan facility with the Cheshire Building Society to draw up to £5m (drawn £2.4m). Fixed assets additions of £18.9m were financed by grants received of £7.3m and the balance of expenditure being met from reserves. This expenditure enables us to redevelop existing properties to meet new standards as well as to build new ones.

5 Future developments

MHA Care Group will review and develop its services in the following respects:

- Provision of Management services – ensuring value for money and quality of service, to charitable organisations to whom we currently provide services, as well as extending the delivery of service to other organisations with similar values and ethos
- Well-Being, Social Care and Activities – ensuring all residents have access to therapeutic, stimulating and fun activities seven days a week within group and individual programmes, using local champions, involving all staff and providing resources for individual homes
- Chaplaincy – to complete the development of chaplaincy in homes and schemes, including the use of paid chaplains and individually agreed roles and services
- End of Life Care – to put to use the training which has been rolled out to all homes and schemes during the past 12 months, aiming to create confidence and understanding for staff to enable a positive and open approach to end-of-life care
- Design – to continue to develop detailed specifications for the design and facilities within new and refurbished homes and schemes, to ensure they provide maximum comfort, stimulation and orientation and benefit from the latest technology and ideas from around the world
- Catering – develop further the work started in 2007/8 to ensure our care settings provide the most nutritious, well presented, interesting and dignified meals experience possible
- Staff - employing staff who have the right skills, experience, attitude and motivation to ensure our high standards are maintained 24 hours per day, 7 days per week, and to develop professional higher degree level training for senior managers
- Retirement Communities – we will explore opportunities to develop services for older people in retirement communities, looking to create partnerships with developers to share the risk on building and selling the accommodation

MHA CARE GROUP

BOARD OF DIRECTORS' REPORT

31 March 2008

5 Future developments (cont)

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

- Bedford a new 62 place care home
- Bolton a new 60 place care home
- Carterton a new 68 place care home built to our specification then leased to us
- Dore 29 Housing with Care apartments to be built
- Hitchin 24 Housing with Care apartments to be built
- Harrogate 28 Housing with Care apartments to be built
- Newport Pagnell 44 Housing with Care apartments to be built on site of current home and acquisition of the 30 bed adjacent care home from Extra Care
- Penrith 29 Housing with Care apartments to be built
- Swindon 35 Housing with Care apartments to be built
- Whitstable Re-provision of existing care home

Statement as to Disclosure of Information to Auditors

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

Auditors

A resolution to reappoint Baker Tilly UK Audit LLP, as auditors will be put to the members at the annual general meeting.

The report of the board was approved on 2 July 2008 and signed on its behalf by



BRIAN COLDWELL

Epworth House
Stuart Street
Derby
DE1 2EQ

MHA CARE GROUP

STATEMENT OF THE BOARD'S RESPONSIBILITIES

31 March 2008

Financial statements

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

In preparing these financial statements we are required to

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

We are also responsible for

- keeping proper accounting records, which disclose with reasonable accuracy at anytime the financial position of the Group,
- maintaining a satisfactory system of control over the accounting records and transactions,
- safeguarding the Group's assets,
- taking reasonable steps for the prevention and detection of fraud and other irregularities

Internal financial control assurance

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

Following publication in July 2007 of the Housing Corporation circular 07/07 Internal Controls Assurance, the Board confirms there is an ongoing process for identifying, evaluating and managing significant risks to the achievement of the Group's strategic objectives. It has established the following key procedures, which are designed to provide effective internal financial control:

- **Control environment and procedures.** The Board has approved Standing Orders, which establish clear management responsibilities in relation to financial control and limits to management discretion. Financial processes are supervised by staff with appropriate experience and qualifications.
- **Risk management.** The Board has adopted Financial Strategies, which are designed to identify and control significant risks facing the organisation. All significant initiatives and capital investments are subject to formal authorisation procedures.
- **Management information:** The Board approves annually a rolling Three Year Plan, which incorporates an Annual Budget, and receives regular financial and management reports which identify variances from budget and key financial indicators.
- **Monitoring systems:** The Board has an Audit Committee, which reviews reports from management, external auditors and internal auditors to provide reasonable assurance that control procedures are in place and being followed. The Committee makes regular reports to the Board.

The Board has reviewed the effectiveness of the system of internal financial control for the year ended 31 March 2008 and until 2 July 2008. No weaknesses were found which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report of those financial statements.

MHA CARE GROUP

Independent auditor's report to the members of MHA Care Group

We have audited the financial statements on pages 13 to 37

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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Boards' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006 and whether the information given in the Board of Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

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

Basis of opinion

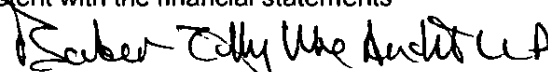
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the affairs of the Company and of the Group as at 31 March 2008 and of the surplus of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006, and
- the information given in the Board of Directors' Report is consistent with the financial statements.



BAKER TILLY UK Audit LLP
Registered Auditor
Chartered Accountants

Birmingham
2 July 2008

MHA CARE GROUP

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2008

	Note	2008 £'000	2007 Restated £'000
Turnover	2	93,118	76,786
Less Operating costs	2	(77,404)	(65,016)
Operating surplus	6	15,714	11,770
Surplus on disposal of property assets		325	165
Investment income		761	580
Interest payable and similar charges	7	(1,775)	(1,296)
Surplus recognised for the year	17	15,025	11,219

The result for the year related wholly to continuing activities

MHA CARE GROUP

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED SURPLUSES
AND DEFICITS

For the year ended 31 March 2008

	2008 £'000	2007 £'000
Surplus for the year	15,025	11,219
(Decrease)/increase in market value of investments	(210)	113
Actuarial gain on pension scheme	1,867	1,207
	<hr/>	<hr/>
Total surpluses and losses recognised since last annual report	16,682	12,539
	<hr/> <hr/>	<hr/> <hr/>

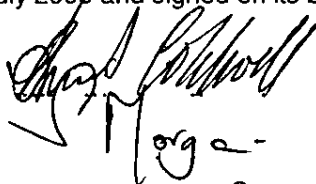
MHA CARE GROUP
PARENT COMPANY BALANCE SHEET

31 March 2008

	Notes	2008 £'000	2007 £'000
Current assets			
Debtors	11	247	295
Cash at bank		841	677
		<u> </u>	<u> </u>
			1,088
Current liabilities			
Creditors amounts falling due within one year	13	(400)	(422)
		<u> </u>	<u> </u>
Net current assets			550
		<u> </u>	<u> </u>
Total assets less current liabilities			550
		<u> </u>	<u> </u>
Capital and reserves			
Revenue reserves	16	688	550
		<u> </u>	<u> </u>

The above relates to MHA Care Group's own balance sheet and not that of its subsidiary companies

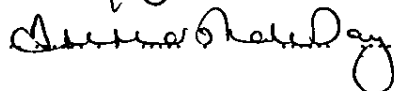
The financial statements on pages 13 to 37 were approved by the Board and authorised for issue on 2 July 2008 and signed on its behalf by



(Board Member)



(Board Member)



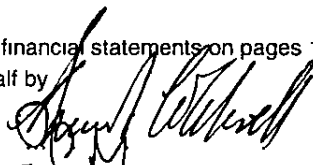
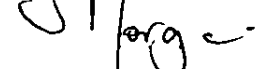
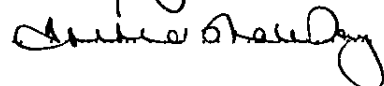
(Secretary)

MHA CARE GROUP
CONSOLIDATED BALANCE SHEET

31 March 2008

		Group 2008	£'000	Group 2007	£'000
Fixed assets	Notes		£'000	£'000	£'000
Tangible fixed assets					
Housing properties					
Gross cost	8		167,517		152,135
Less Social Housing Grants	8		(34,592)		(27,712)
Other Grants	8		(8,960)		(8,328)
Depreciation	8		(12,412)		(9,686)
			111,553		106,409
Other	8		7,171		6,814
			118,724		113,223
Investment properties	10		90		440
			118,814		113,663
Current assets					
Retirement housing stock			15,201		9,257
Debtors	11		5,636		5,685
Investments	12		3,911		3,755
Cash at bank			11,478		7,875
			36,226		26,572
Creditors amounts falling due within one year	13		(7,809)		(6,814)
Net current assets			28,417		19,758
Total assets less current liabilities			147,231		133,421
Pension liability	19		(4,276)		(6,760)
Total assets less current liabilities including pension liability			142,955		126,661
Creditors amounts falling due after more than one year	14		32,624		33,012
Capital and reserves					
Revaluation reserve	17		778		1,099
Endowment reserve	17		764		743
Restricted reserve	17		15,678		15,807
Revenue reserves	17		93,111		76,000
			110,331		93,649
			142,955		126,661

The financial statements on pages 13 to 37 were approved by the Board and authorised for issue on 2 July 2008 and signed on its behalf by

(Board Member)

(Board Member)

(Secretary)

MHA CARE GROUP

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	20(a)		16,085		9,153
Returns on investments and servicing of finance					
Investment income		761		580	
Interest paid		(2,199)		(1,231)	
			(1,438)		(651)
Capital expenditure					
Payments to acquire and construct housing properties		(18,478)		(17,047)	
Purchase of other fixed assets		(874)		(967)	
Social Housing and other grants received		7,905		1,520	
Receipts on disposal of housing properties		785		261	
			(10,662)		(16,233)
Net cash flow before use of liquid resources and financing			3,985		(7,731)
Management of liquid resource					
Payments to acquire investments		(366)		(722)	
Proceeds from sale of investments		-		112	
			(366)		(610)
			3,619		(8,341)
Financing					
Loans received		-		9,000	
Loans repaid		(16)		(19)	
			(16)		8,981
Increase in cash	20(b)		3,603		640

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

1 Principal accounting policies

Introduction and accounting basis

The financial statements of the Group are prepared under the historical cost accounting rules, with the exception of investments which are shown at market value, and in accordance with the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006, applicable financial reporting standards and the Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords 2008"

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

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

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

Basis of consolidation

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

Early adoption of SORP 2008

The Group has early adopted the SORP 2008 in order to comply with best practice. This has meant a change to the way the group accounts for the first tranche shared ownership properties and sales. There has been no impact on the net asset position or on the surplus for the year, or in any period.

Turnover

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

Donations, legacies and other voluntary income

Donations, legacies and other voluntary income are included in income when the Group is certain of receipt.

Retirement housing stock

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

Operating costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

1 Principal accounting policies (continued)

Shared ownership and staircasing

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

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

Upon sale, the first tranche proceeds are included within turnover and related costs charged to operating costs. Disposals of the second and subsequent staircasing tranches are treated as fixed asset disposals in the normal manner and the resultant profit, shown within "Surplus on sale of housing properties"

Apportionment of management expenditure

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

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

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

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

Tangible fixed assets and depreciation

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

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

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

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

Land is stated at cost and is not depreciated.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

1 Principal accounting policies (continued)

Social Housing Grants

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

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

Investments

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

Revaluation reserve

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

Pensions: Defined benefit schemes

As detailed in note 20 the accounting for retirement benefits has changed during the year to comply with the full disclosure requirements of FRS 17 "Retirement Benefits" which became effective for years ended on or after 31 December 2005. Previously the accounts were prepared under SSAP 24. The effects of the change in accounting policy are noted in note 21. To comply with FRS 17, for defined benefit schemes the amount charged to the Income and Expenditure Account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance charges.

Actuarial gains and losses arising from updating to the balance sheet date are recognised in the Statement of Total Recognised Surpluses and Deficits.

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 balance sheet 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 balance sheet 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 balance sheet date. A pension scheme liability is recognised to the extent the Group has a legal or constructive obligation to settle the liability.

Pensions: Defined contribution scheme

Contributions are charged to the Income and Expenditure Account as they become payable in accordance with the rules of the scheme.

Taxation

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

The Group is registered for VAT. Most of the Group's income (rents and grants) is exempt for VAT purposes.

MHA CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2008
(continued)

2 Turnover, operating surplus and surplus before transfer of funds	Group 2008		Group 2007		Surplus / (deficit)			
	Turnover	Cost of sales	Operating costs	Surplus/ (Deficit)	Turnover	Cost of sales	Operating costs	Surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing								
Income and expenditure from services								
Housing accommodation	8,351	-	6,249	2,102	6,306	-	5,137	1,169
Care homes	70,820	-	62,395	8,425	61,906	-	54,604	7,302
Live at Home	1,366	-	2,496	(1,130)	1,111	-	1,861	(750)
	<u>80,537</u>	<u>-</u>	<u>71,140</u>	<u>9,397</u>	<u>69,323</u>	<u>-</u>	<u>61,602</u>	<u>7,721</u>
Other income and expenditure								
Charitable income	7,853	-	853	7,000	5,270	-	724	4,546
Shared ownership first tranche sales	535	474	-	61	-	-	-	-
Retirement Housing	4,027	3,837	-	190	2,010	1,651	-	359
Other	166	-	1,100	(934)	183	-	1,039	(856)
	<u>93,118</u>	<u>4,311</u>	<u>73,093</u>	<u>15,714</u>	<u>76,786</u>	<u>1,651</u>	<u>63,365</u>	<u>11,770</u>
Operating Surplus								
Sale of fixed assets	237	-	110	127	261	-	96	165
Sale of investment properties	548	-	350	198	-	-	-	-
	<u>93,903</u>	<u>4,311</u>	<u>73,553</u>	<u>16,039</u>	<u>77,047</u>	<u>1,651</u>	<u>63,461</u>	<u>11,935</u>
Investment income				761				580
Interest payable and similar charges				(1,775)				(1,296)
Surplus before transfers for the year				<u>15,025</u>				<u>11,219</u>

Note In 2008 the sale of Retirement Housing has been included within the Group's operating surplus, whereas it was previously included within the surplus on disposal of property assets. The 2007 comparative figures have been adjusted accordingly.

MHA CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2008
(continued)

3 Income and expenditure from services	Sheltered housing £'000	Care homes £'000	Live at Home £'000	2008 Total £'000	2007 Total £'000
Income from services					
Rents receivable net of identifiable service charges	3,183	-	-	3,183	2,618
Service income	1,858	-	-	1,858	1,544
Charges for support services	3,389	-	-	3,389	2,164
Gross rents receivable	8,430	-	-	8,430	6,326
Less Rent losses from voids	(79)	-	-	(79)	(20)
Net rents receivable	8,351	-	-	8,351	6,306
Other services income	-	68,337	1,366	69,703	60,839
Revenue grants from local authorities and other agencies	-	2,483	-	2,483	2,178
Total income from services	8,351	70,820	1,366	80,537	69,323
Expenditure from services					
Management Services	691	3,871	272	4,834	4,285
Support services costs	1,482	-	-	1,482	1,420
Routine maintenance	2,919	53,250	2,224	58,393	51,306
Planned maintenance	430	1,623	-	2,053	902
Major repairs	10	247	-	257	228
Bad debts	208	941	-	1,149	973
Depreciation	1	5	-	6	32
	508	2,458	-	2,966	2,456
Total expenditure on services	6,249	62,395	2,496	71,140	61,602
Operating surplus/(deficit) on services	2,102	8,425	(1,130)	9,397	7,721

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

4 Staff	2008 Number	2007 Number
Average monthly number employed including the Group Chief Executive (Full-time equivalent)		
Care homes	2,305	2,085
Sheltered housing	165	126
Live at Home	73	68
Office staff	108	108
	<hr/>	<hr/>
	2,651	2,387
	<hr/> <hr/>	<hr/> <hr/>

Two employees earned over £50,000 excluding pension contributions during the year (2007 £50,000 nil)

Group staffing costs including directors' emoluments	£'000	£'000
Wages and salaries	45,809	39,910
Social security costs	3,124	2,784
Other pension costs	1,836	1,429
	<hr/>	<hr/>
	50,769	44,123
	<hr/> <hr/>	<hr/> <hr/>

5 Directors' emoluments

The directors of the company under housing association legislation comprise the Board members, the Group Chief Executive and senior members of the management team

	2008 £'000	2007 £'000
Directors' emoluments		
Including pension contributions and benefits in kind	656	582
	<hr/>	<hr/>
Highest paid director		
Excluding pension contributions (Group Chief Executive)	108	100
	<hr/> <hr/>	<hr/> <hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2008
(continued)**

5 Directors' emoluments (continued)

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

	2008 Number	2007 Number
Nil*	10	11
Between £20,001 and £30,000	-	1
Between £30,001 and £40,000	-	1
Between £40,001 and £50,000	2	1
Between £50,001 and £60,000	2	-
Between £60,001 and £70,000	-	2
Between £70,001 and £80,000	2	2
Between £80,001 and £90,000	1	-
Between £90,001 and £100,000	-	1
Between £100,001 and £110,000	1	-
	<hr style="border-top: 3px double #000;"/>	<hr style="border-top: 3px double #000;"/>
	2008 £'000	2007 £'000
The Directors were reimbursed expenses not chargeable to United Kingdom Income Tax amounting to	41	32
	<hr style="border-top: 3px double #000;"/>	<hr style="border-top: 3px double #000;"/>

The Group Chief Executive is an ordinary member of the Group pension scheme (see note 20) and not subject to any enhanced or special terms nor does the Group make any contribution to an individual pension

* Board members received no emoluments for their services

6 Operating surplus

	2008 £'000	2007 £'000
Stated after charging:		
Housing properties depreciation	2,726	2,326
Depreciation on other tangible fixed assets	517	333
External Auditors' remuneration (including VAT) – parent company	4	4
External Auditors' other services (including VAT)		
• Audit of subsidiaries	31	26
• Other services pursuant to legislation	6	12
• Tax services	9	5
Internal Auditors' remuneration (including VAT)	9	9
	<hr style="border-top: 3px double #000;"/>	<hr style="border-top: 3px double #000;"/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

7 Interest payable and similar charges

	2008 £'000	2007 £'000
On bank loans repayable wholly or partly in more than 5 years	1,745	1,256
On other loans repayable wholly or partly in more than 5 years	26	26
Other finance charges	4	14
	<u>1,775</u>	<u>1,296</u>

8 Group tangible fixed assets

Housing properties	Residential Care Homes £'000	Housing Properties held for letting £'000	Housing Properties under development £'000	Total £'000
Cost				
At 1 April 2007	94,864	52,393	4,878	152,135
Reclassification	-	(393)	-	(393)
Additions	8,349	9,759	793	18,901
Disposals	(110)	-	-	(110)
Transferred on completion	-	5,666	(5,666)	-
Transfer to stock of housing for sale	(1,779)	(1,237)	-	(3,016)
	<u>101,324</u>	<u>66,188</u>	<u>5</u>	<u>167,517</u>
Social Housing & other Grants				
At 1 April 2007	-	33,802	2,238	36,040
Reclassification	-	(393)	-	(393)
Additions	-	7,346	559	7,905
Transferred on completion	-	2,797	(2,797)	-
	<u>-</u>	<u>43,552</u>	<u>-</u>	<u>43,552</u>
Depreciation				
At 1 April 2007	7,734	1,952	-	9,686
Charge for year	2,232	494	-	2,726
	<u>9,966</u>	<u>2,446</u>	<u>-</u>	<u>12,412</u>
Net book value				
At 31 March 2008	<u>91,358</u>	<u>20,190</u>	<u>5</u>	<u>111,553</u>
At 1 April 2007	<u>87,130</u>	<u>16,639</u>	<u>2,640</u>	<u>106,409</u>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

8 Group tangible fixed assets (continued)

Additions to housing properties include capitalised interest of £142,000 (2007 £275,000) and development administration of £nil (2007 £37,000)

Housing properties comprise.		2008 £'000	2007 £'000
Freehold		106,565	100,827
Long leasehold		4,988	5,582
		<u>111,553</u>	<u>106,409</u>
		<u><u>111,553</u></u>	<u><u>106,409</u></u>
Other	Freehold offices	Furniture equipment & vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 April 2007	2,116	6,195	8,311
Additions	-	874	874
	<u>2,116</u>	<u>7,069</u>	<u>9,185</u>
At 31 March 2008	2,116	7,069	9,185
Depreciation			
At 1 April 2007	274	1,223	1,497
Charge for the year	49	468	517
	<u>323</u>	<u>1,691</u>	<u>2,014</u>
At 31 March 2008	323	1,691	2,014
Net book value			
31 March 2008	<u>1,793</u>	<u>5,378</u>	<u>7,171</u>
	<u><u>1,793</u></u>	<u><u>5,378</u></u>	<u><u>7,171</u></u>
At 1 April 2007	1,842	4,972	6,814
	<u><u>1,842</u></u>	<u><u>4,972</u></u>	<u><u>6,814</u></u>

		Group	
		2008 £'000	2007 £'000
9	Capital commitments		
	Expenditure contracted, less certified	10,186	15,789
	Expenditure authorised by the Board, but not contracted	17,345	14,479
		<u>27,531</u>	<u>30,268</u>
		<u><u>27,531</u></u>	<u><u>30,268</u></u>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

10 Investment properties		2008 Group £'000	2007 Group £'000
Freehold land and buildings – UK			
Value at 1 April		440	440
Disposal		(350)	-
		<hr/>	<hr/>
Value at 31 March		90	440
		<hr/> <hr/>	<hr/> <hr/>
Cost at 31 March		35	295
		<hr/> <hr/>	<hr/> <hr/>

Investment Properties were valued at 31 March 2006 by Pinders Professional & Consultancy Services Limited, Chartered Surveyors, on the basis of market value

11 Debtors		Group		Company	
	2008 £'000	2007 £'000		2008 £'000	2007 £'000
Arrears of rent and services	5,046	5,504		-	-
Other debtors	590	181		12	17
Amounts due from subsidiary undertakings	-	-		235	278
	<hr/>	<hr/>		<hr/>	<hr/>
	5,636	5,685		247	295
	<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

12 Investments		Group		Company	
	2008 £'000	2007 £'000		2008 £'000	2007 £'000
Methodist Church Central Finance Board					
Equity units	2,460	2,355		-	-
Fixed Interest units	1,451	1,400		-	-
	<hr/>	<hr/>		<hr/>	<hr/>
	3,911	3,755		-	-
	<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

13 Creditors amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade creditors	1,121	1,098	199	222
Advance payments of rent and service charges	1,958	2,356	-	-
Taxation and social security	982	832	94	92
Accruals and deferred income	2,732	1,885	-	-
Housing loans – interest	102	93	-	-
Housing loans – principal	388	5	-	-
Other creditors	526	545	107	108
	<u>7,809</u>	<u>6,814</u>	<u>400</u>	<u>422</u>

14 Creditors amounts falling due after more than one year

	Group	
	2008	2007
	£'000	£'000
Between one and two years	1,564	150
Between three and five years	2,710	1,546
In five years or more	28,350	31,316
	<u>32,624</u>	<u>33,012</u>

The loans are secured on certain care home and housing properties

£3,968,000 of the balance is payable in varying instalments until 2049 and are repayable at a weighted average interest rate of 8.27%

On the remaining balance of £28,656,000 there is a capital repayment holiday until December 2008, and it is then repayable by 88 equal instalments until 2030

The interest rates payable on this loan are as follows

- £5,000,000 is fixed at a rate of 5.87% until February 2014,
- £5,000,000 is fixed at a rate of 5.52% until August 2015,
- £5,000,000 is payable at LIBOR but limited within the range of 5.675% to 6.775% including a margin until November 2017, with the balance payable at a margin of 0.775% above LIBOR

15 Share capital

The company is limited by guarantee and has no share capital

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

16 Revenue reserve	Company £'000
At 1 April 2007	550
Surplus for the year	138
	<hr/>
31 March 2008	688
	<hr/> <hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

17 Group reserves

	Revaluation Reserve	Endowment Reserves	Restricted Reserves Charitable Funds	Revenue Reserve Income and Expenditure Account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2007	1,099	743	15,807	76,000	93,649
Surplus for the year	-	-	(129)	15,154	15,025
Actuarial gain	-	-	-	1,867	1,867
Surplus/(deficit) on revaluation of assets	(231)	21	-	-	(210)
Disposal of revalued investment properties	(90)	-	-	90	-
At 31 March 2008	778	764	15,678	93,111	110,331

The restricted reserves relate to amounts donated or raised for use on specific homes or schemes

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

18 Contingent liabilities

The group had sold certain retirement housing stock where a guarantee has been given to the purchaser to buy back the property at an amount of 95% of the price paid by the purchaser. At 31 March 2008, the group had commitments amounting to £1,366,385 in respect of these properties.

19 Pensions and similar obligations

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

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

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

	2008 %pa	2007 % pa	2006 % pa
Inflation	2.90	2.75	2.50
Rate of increase in salaries	4.40	4.25	4.00
Rate of increase for pensions in payment	2.25*	2.25*	2.25*
Rate of increase for deferred pensions	2.90*	2.75*	2.50*
Discount rate	6.60	5.40	4.90

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

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

19 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 balance sheet date were

	2008		2007		2006	
	Fair Value £'000	Long-term rate of return expected %	Fair Value £'000	Long-term rate of return expected %	Fair Value £'000	Long-term rate of return expected %
Equities	14,631	8.00	14,865	8.00	13,416	8.00
Government bonds	9,026	4.90	8,679	4.80	8,289	4.40
Cash	873	5.25	281	5.25	287	4.50
Total market value of assets	24,530	6.76	23,825	6.80	21,992	6.60
Present value of scheme Liabilities	(28,806)		(30,585)		(30,023)	
Deficit in the scheme	(4,276)		(6,760)		(8,031)	

The last formal valuation of the scheme was performed as at 30 September 2004 by a professionally qualified actuary. For the purpose of FRS 17, the valuation has been updated as at 31 March 2008.

The Group has contributed at the rate of 23.3% of pensionable salaries over the accounting period, including member's contributions of 6.4% and has also made a special payment of £500,000. The actuary has confirmed that the existing contribution level can continue given the deficit which is forecast to be removed within 13 years.

Under the transitional arrangements of FRS 17, the Group's pension charge for the year calculated under FRS 17 assumptions is included in the financial statements.

Analysis of the amount charged to operating surplus

	31 March 2008 £'000	31 March 2007 £'000
Current service cost	1,024	1,031

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

19 Pensions and similar obligations (continued)

Analysis of the amount charged to other finance income

	31 March 2008 £'000	31 March 2007 £'000
Expected return on pension scheme assets	1,667	1,467
Interest on pension scheme liabilities	(1,671)	(1,481)
	<hr/>	<hr/>
Other finance income charge to income and expenditure account	(4)	(14)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amount recognised in the Statement of Recognised Surpluses and Deficits

	31 March 2008 £'000	31 March 2007 £'000
Actuarial return less expected return on pension scheme assets	(2,326)	(109)
Experience gains and losses arising on the scheme liabilities	(1,707)	123
Changes in assumptions underlying the present value of the scheme liabilities	5,900	1,193
	<hr/>	<hr/>
Actuarial gain recognised in the Statement of Recognised Surpluses and Deficits	1,867	1,207
	<hr/> <hr/>	<hr/> <hr/>

Movement in deficit during the year

	£'000	£'000
Deficit at 1 April	(6,760)	(8,031)
Current service cost	(1,024)	(1,031)
Contributions paid	1,645	1,109
Other finance charges	(4)	(14)
Actuarial gain	1,867	1,207
	<hr/>	<hr/>
Deficit in scheme at 31 March	(4,276)	(6,760)
	<hr/> <hr/>	<hr/> <hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

19 Pensions and similar obligations (continued)

History of experience gains and losses

	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2005 £'000
Difference between the expected and actuarial return on scheme assets				
- Amount (£'000)	(2,326)	(109)	2,561	615
- % of scheme assets	(9.5)	(0.5)	11.6	3.5
Experience gains and losses on scheme liabilities				
- Amount (£'000)	(1,707)	123	111	(368)
- % of the present value of the scheme liabilities	(5.9)	0.4	0.4	(1.5)
Total amount recognised in the STRGL				
- Amount (£'000)	1,867	1,207	(1,699)	(529)
- % of the present value of the scheme liabilities	6.5	3.9	(5.7)	(2.2)

(ii) A Career Average Revalued Earnings ("CARE") defined benefit scheme, administered by The Pensions Trust which provides guaranteed benefits on earnings revalued by inflation. The Association currently contributes 10% to the scheme. No further disclosures are made on the basis that, as the amounts involved are not material to the group, it would not be cost effective to do so.

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

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

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

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

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

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

19 Pensions and similar obligations (continued)

The charge to MHA for the year covered 7 (2007 13) employees. The contribution rate of MHA for the year ended 31 March 2008 was 9.5% and for the employees at rates varying between 4.5% and 6.0% depending on their age.

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

iv) Social Housing Pension Scheme (SHPS)

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

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

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

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

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

The charge to MHA for the year covered 41 (2007 56) employees. The contribution rate of MHA for the year ended 31 March 2008 was 12.4% and for the employees at rates varying between 5.0% and 7.0% depending on their age. This scheme has been closed to new entrants.

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

v) The contribution by the Group to all pension schemes during the year including a lump sum payment of £500,000 amounted to £1,835,000 (2007 £1,429,000)

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008
(continued)

20 Notes to the cash flow statement

	2008	2007
a) Reconciliation of operating surplus to operating cash flows	£'000	£'000
Operating surplus	15,714	11,770
Depreciation	3,243	2,659
Pension contributions paid in the year	(1,645)	(1,109)
Pension contributions charged in the year	1,024	1,031
Increase in retirement housing stock	(2,928)	(4,506)
Decrease/(increase) in debtors	49	(3,271)
Increase in creditors	628	2,579
	<hr/>	<hr/>
Net cash inflow from operating activities	16,085	9,153
	<hr/> <hr/>	<hr/> <hr/>

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

	2008	2007
b) Reconciliation of net cash flow to movement in net debt	£'000	£'000
Increase in cash	3,603	640
Cash inflow from liquid resources	366	610
Cash inflow from increase in debt	-	(9,000)
Cash outflow from loan financing	16	19
	<hr/>	<hr/>
Change in net debt resulting from cash flows	3,985	(7,731)
Loan indexation	(11)	(10)
(Decrease)/increase in market value of current asset investment	(210)	113
	<hr/>	<hr/>
Movement in net (debt)/funds	3,764	(7,628)
Net debt at 1 April	(21,387)	(13,759)
	<hr/>	<hr/>
Net debt at 31 March	(17,623)	(21,387)
	<hr/> <hr/>	<hr/> <hr/>

MHA CARE GROUP

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 March 2008
(continued)**

20 Notes to the cash flow statement (continued)

c) Analysis of changes in net debt	1 April 2007 £'000	Cash flow £'000	Other changes £'000	31 March 2008 £'000
Cash at bank and in hand	7,875	3,603	-	11,478
Debt due within one year				
Housing loans – principal	(5)	16	(399)	(388)
Debt due after more than one year				
Housing loans – principal	(1,612)	-	388	(1,224)
Bank loan	(31,400)	-	-	(31,400)
Current asset investments	3,755	366	(210)	3,911
	<hr/>	<hr/>	<hr/>	<hr/>
	(21,387)	3,985	(221)	(17,623)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21 Group structure

MHA Care Group has the following subsidiary undertakings

Methodist Homes Housing Association Limited

Incorporation Industrial and Provident Societies Act 1965
Registered Number LH2343

Principal activity Charitable provision and management of social housing

Methodist Homes for the Aged

Incorporation Charity Registered Number 1083995

Principal activity Charitable provision and management of residential care homes