



Heart of England  
HOUSING AND CARE LTD



## Report and Financial Statements 2001/2





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# Board Members and Executive Officers

**Registered Name** Heart of England Housing and Care Limited

**Registered Office** 10 Greenhill Street  
Stratford-upon-Avon  
Warwickshire  
CV37 6LG

## Board of Management

The Members set out below have held office during the whole of the period from 1 April 2001 to the date of this report unless otherwise indicated:

<b>Chairman</b>		Moira Cole
<b>Vice Chairman</b>	<b>(H)</b>	Roy Brooks
		David Ashbourne
	<b>(H)</b>	Peter Baker <i>(from 30/10/01)</i>
	<b>(H)</b>	Sandra Crawford <i>(to 05/02/02)</i>
	<b>(W)</b>	Eric Lanchester
	<b>(H)</b>	Judith Lockhart <i>(from 05/06/01)</i>
	<b>(W)</b>	Colin McMillan
	<b>(S)</b>	Rosemary Ratcliffe
	<b>(H)</b>	Hazel Wright <i>(from 26/03/02)</i>

**(H)** - Nominee from Heart of England Housing Group Ltd

**(S)** - Nominee from South Warwickshire Housing Association

**(W)** - Nominee from Warwickshire Care Services (WCS)

## Management Team

Group Deputy Chief Executive	Denis Thompson
Director of Care Services	John McCarthy
Chief Executive (WCS)	Marie Stubbings
Assistant Director of Care Services	Michelle Shawcross
Hotel Services Manager	Janet Phipps
Home Manager Representative	Margaret Hook

## Advisors, Advisors and Bankers

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<b>External Auditors</b>	Mazars Neville Russell The Broadway Dudley DY1 4PY
<b>Internal Auditors</b>	KPMG 2 Cornwall Street Birmingham B3 2DL
<b>Residential Care</b>	Warwickshire Care Services Limited Newlands Whites Row Kenilworth Warwickshire CV6 1HW
<b>Legal</b>	Needham & James 25 Meer Street Stratford-upon-Avon Warwickshire CV37 6QB
<b>Bankers</b>	Barclays Bank Plc P.O. Box 34 15 Colmore Row Birmingham B3 2BY

# Report of the Board of Management

## The Company

The Board of Management, who are also trustees for the charitable activities of the company, present their Report and the audited Financial Statements for the year ended 31 March 2002.

## Corporate Status

The Company is a not-for-profit organisation registered on 9 April 1999 as an Industrial and Provident Society. The Company is not a registered charity, however, it is an exempt charity as it has adopted charitable Rules. This status confers the benefits and responsibilities of a charitable body.

The Company is a member of the Heart of England Housing Group.

## Principal Activities

The principal activity of the Company is the operation of residential care homes for elderly people. All of this activity is currently undertaken in Worcestershire, although the Company is considering opportunities for growth and expansion into other counties.

Nine homes were in operation at 31 March 2002. Two other homes are in the process of being rebuilt and will re-open as modern, 60 bed homes in the Spring of 2003. The rebuilding programme is being financed by South Warwickshire Housing Association, who retain the freehold to the properties.

## Review of Business and the Future

In partnership with South Warwickshire Housing Association, the Company is now more than half way through the remodelling programme which will see all the care homes, except Areley House, either rebuilt or refurbished. The future of the service currently provided from Areley House in Stourport will be decided during 2002/03. In any event another care home, Ravenhurst, was acquired in Stourport at the start of 2001/02.

At 31 March 2002 the number of rooms in operation was 402 an increase of 66 during the year. The remodelling programme will add a net 78 rooms on completion of the rebuilding of Heathlands and Breme. Works are underway and are due for completion in March/April 2003.

The Company continues to fulfil its obligations to Worcestershire County Council and is accommodating more than the minimum number of residents required under the contract. There is steady growth in the number of private self funding residents. During the year the company's staff completed its preparation for the introduction of the new care standards from 1 April 2002. The Company also reviewed its staffing levels and at 31 March 2002 employed 430 staff an increase of 100 in the year. Training continues at pace and the number of staff with NVQ's in care is increasing in accordance with plans.

## Financial Results

The financial results and position at 31 March 2002 are reported in the Financial Statements. It was accepted that the business would require several years before it operated at a surplus. The budget deficit for this financial year was £60,000. The outturn deficit is reported at £209,000.

The main reason for the increase was additional staffing costs. As a not-for-profit charitable organisation all future retained surpluses will be re-invested in the business for the benefit of its customers.

# Report of the Board of Management (continued)

## Competence and Accountability

### Board Members and Executive Staff

The present Board membership is listed on page 1. Seven of the nine members are nominated by corporate partners.

The Group Deputy Chief Executive and other staff employed by Heart of England Housing Group Ltd. (the Parent) provide their services through a Service Level Agreement with the Company. Warwickshire Care Services Ltd. provide their services through a Management Agreement with the Company. The Management Team hold no interest in the Company's shares and have no legal status as directors although they act as executives within the authority delegated by the Board.

## Employees

The strength of the Company lies in the quality and commitment of its employees. The ability to meet objectives and commitments to residents and customers in an efficient and effective manner depends on the contribution of employees throughout the Group and its partners.

The Company continues to provide information on objectives, progress and activities through regular management meetings. Training programmes focus on care, health and safety, quality and the development of staff.

The Company is committed to equal opportunities for all its employees. The Company has a Recognition Agreement with UNISON and intends to complete the integration of terms and conditions by negotiation and agreement.

## Advisors

The Company uses the services of professional advisors to support its staff. The key retained advisors are listed on page 2.

## Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Company has prepared detailed policies and provides staff training and education on health and safety matters.

The Group's risk appraisal and management processes address all health and safety matters in relation to property, residents, customers and staff.

## Governance of the Company

### Code of Governance

The Board are pleased to report that the Company has adopted a Code of Governance. Compliance is monitored during the year.

### Subsidiary Status

The Company is operating as a subsidiary of Heart of England Housing Group Limited.

### Rules

The Company's constitution is contained in its Rules. These have provisions covering shareholding membership, Board membership and Committee membership. The Rules cannot be varied by the Board unless approved at a General Meeting.

## Report of the Board of Management (continued)

### Board of Management

The Board of Management comprises nine non-executive members and is responsible for managing the affairs of the Company. The Board members have a wide range of professional, commercial, and residential care experience. The Company obtains liability insurance cover for the Board Members who all provide their time and services on a voluntary basis.

The Board meets, formally, six times a year for regular business. It has no standing committees but on occasions delegates work and responsibilities to small working groups.

The Board is responsible for the Company's strategy and policy framework. It delegates the day to day management and implementation of policies to the Group Deputy Chief Executive and other executive officers. The Management Team meets monthly and are represented at Board Meetings.

Two Board members are nominated to the Board of Heart of England Housing Group Limited. One Board member serves on the Audit Committee of the Heart of England Housing Group.

### Board Members' Responsibilities

Legislation requires the Board to prepare Financial Statements for each financial year which give a true and fair view of the state of the Company as at the end of the financial year and of the income and expenditure of the Company for the year ended on that date.

In preparing the Financial Statements, suitable accounting policies have been used, framed, to the best of the Board's knowledge and belief, by reference to reasonable and prudent judgements and estimates, and applied consistently. Applicable accounting standards have been followed. The Board is also required to indicate where the Financial Statements are prepared other than on the basis that the Company is a going concern.

The Board is responsible for ensuring that arrangements are made for keeping proper books of accounts with respect of the Company's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Company's books of accounts and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Going Concern

The Board confirms that after making enquiries there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing the accounts

### Internal Financial Controls

The Board acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Company or for publication.
- the maintenance of proper accounting records.
- the safeguarding of assets against unauthorised use or disposition.

## Report of the Board of Management (continued)

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets.
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared which allow the Board and the Management Team to monitor business risks, financial objectives, and progress towards financial plans set for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all new initiatives, major commitments and investment projects are subject to formal authorisation procedures comprising Board members and others.
- the Group Audit Committee reviews reports from management, from the internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- the Board receives reports on the Company's risk management processes and monitors action taken to control risks.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board has reviewed the effectiveness of the systems of internal financial control in existence in the Company for the year ended 31 March 2002 and until 28 May 2002. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosures in the Financial Statements or in the Auditors' report on the Financial Statements.

As a subsidiary of the Heart of England Housing Group, the Company will adopt the guidance on 'Internal Controls Assurance' from the Housing Corporation. This organisation is a government body that regulates the affairs of all registered social landlords.

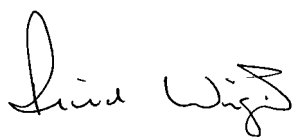
### Annual General Meeting

The AGM will be held on 18 July 2002 and will receive this Report and Financial Statements.

### Auditors

The external auditors, Mazars Neville Russell, are willing to continue in office, and a resolution to reappoint them will be proposed at the AGM.

The Report of the Board of Management was approved on 28 May 2002 and signed on its behalf by:



**Richard Wright**  
Secretary  
28 May 2002

# Independent Auditors' Report to the Members of Heart of England Housing and Care Limited

We have audited the financial statements of Heart of England Housing and Care Limited for the year ended 31 March 2002 which comprise the income and expenditure account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

## Respective responsibilities of Board members and auditors

As described in the Statement of Board Members Responsibilities, the Company's Board is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978. We also report to you if, in our opinion, the Board Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, if a satisfactory system of control over books of account and transactions has not been maintained, or if information specified by law regarding Board members' remuneration and transactions with the Company is not disclosed.

We read the Board Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board 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.

# Independent Auditors' Report to the Members of Heart of England Housing and Care Limited (continued)

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## Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2002 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978.



MAZARS NEVILLE RUSSELL  
CHARTERED ACCOUNTANTS  
and Registered Auditors  
The Broadway  
Dudley  
West Midlands  
DY1 4PY

28 May 2002

# Income and Expenditure Account

for the year ended 31 March 2002

		<b>Year ended 31 March 2002 £'000</b>	<b>Year ended 31 March 2001 £'000</b>
	<b>Notes</b>		
<b>Turnover</b>	5	5,485	4,528
Operating costs		<u>(5,664)</u>	<u>(4,917)</u>
<b>Operating deficit</b>	6	(179)	(389)
Interest receivable and similar income	10	0	1
Interest payable and similar charges	11	<u>(30)</u>	<u>(16)</u>
<b>Deficit for year</b>		(209)	(404)
<b>Revenue reserve brought forward</b>		<u>(724)</u>	<u>(320)</u>
<b>Revenue reserve carried forward</b>		<u><u>(933)</u></u>	<u><u>(724)</u></u>

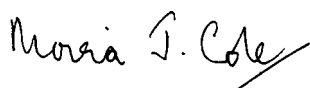
The Company's turnover and expenses all relate to continuing operations.

# Balance Sheet

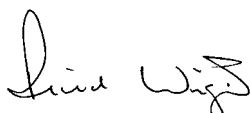
as at 31 March 2002

		Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
	Notes		
<b>Current assets</b>			
Stocks	12	21	13
Debtors	13	388	214
Cash at bank and in hand		<u>44</u>	<u>21</u>
		453	248
<b>Creditors: amounts falling due within one year</b>	14	<u>(1,386)</u>	<u>(972)</u>
<b>Net current liabilities</b>		<u>(933)</u>	<u>(724)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(933)</u>	<u>(724)</u>
<b>Capital and Reserves</b>			
Called up share capital	15	0	0
Revenue reserve	16	<u>(933)</u>	<u>(724)</u>
		<u>(933)</u>	<u>(724)</u>

The financial statements on pages 9 to 18 were approved by the Board of Management on 28 May 2002 and were signed on its behalf by:

  
**Board Member**

  
**Board Member**

  
**Secretary**

The notes on pages 12 to 18 form part of these financial statements.

# Cashflow Statement

for the year ended 31 March 2002

			<b>Year ended 31 March 2002 £'000</b>	<b>Year ended 31 March 2001 £'000</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities</b>	18		22	54
<b>Returns on investments and servicing of finance</b>				
Interest received		0		1
Interest paid		<u>(32)</u>		<u>(16)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>			<u>(32)</u>	<u>(15)</u>
<b>Net cash (outflow) / inflow before financing</b>			(10)	39
<b>Financing</b>				
Loans received		0		0
Loans redemption repayments		<u>0</u>		<u>0</u>
			<u>0</u>	<u>0</u>
<b>(Decrease) / Increase in cash</b>	19		<u>(10)</u>	<u>39</u>

# Notes to the Financial Statements

for the year ended 31 March 2002

## Note 1 Legislative Provisions

The Company is incorporated under the Industrial and Provident Societies Act 1965 - Registration No. 28885R.

## Note 2 Financial Reporting Standards

The Financial Statements have been prepared in accordance with applicable financial reporting standards.

## Note 3 Accounting Policies

### a) Accounting convention

The Financial Statements are prepared under historical cost convention.

### (b) Turnover

Turnover represents fees receivable in respect of residential care and amounts invoiced in respect of the provision of services.

### (c) Properties

The Company does not own or develop property. Its residential care homes are leased and rents are charged to revenue in the year they arise. No premiums have been paid.

### (d) Depreciation

Depreciation is calculated to write off the cost of certain fixed assets on a straight line basis over their estimated useful lives. These are:

- computer and communication equipment      33% p.a.
- furniture, fittings and equipment              25% p.a.

### (e) Interest and finance costs

Interest is charged in the year in which it is incurred.

### (f) Operating Leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

### (g) Pension costs

Contributions payable to the Company pension scheme are charged to the income and expenditure account so as to spread the cost of pension over the service lives of employees in the schemes.

### (h) Stocks

Stocks are stated at the lower of cost and net realisable value.

### (i) VAT

The Company is VAT registered, as part of the Heart of England Housing Group, but the majority of its income, being care fees, is exempt for VAT purposes.

## Notes to the Financial Statements (continued)

for the year ended 31 March 2002

### Note 3

#### Accounting Policies (continued)

##### (j) Taxation

As an exempt charity the Company is not liable for Corporation Tax on surpluses.

##### (k) Designated and Restricted reserves

The Company has none at present.

### Note 4

#### Group Structure

(a) The Company is a subsidiary of the Heart of England Housing Group and is not required to prepare group accounts.

(b) The parent of the group is Heart of England Housing Group Limited.

The parent is a company limited by guarantee (no. 3546568) and a Registered Social Landlord (no. L4187).

(c) There are three other subsidiaries of the group:

- South Warwickshire Housing Association Limited
- Heart of England Consultancy Limited
- Heart of England Commercial Limited

(d) All group members are incorporated. The registered office for all is:

10 Greenhill Street  
Stratford-upon-Avon  
Warwickshire CV37 6LG

(e) There are no inter company guarantees within the group. An unsecured overdraft facility is provided by South Warwickshire Housing Association. The parent provides services on a commercial basis to the subsidiaries via Service Level Agreements. The Company leases nine care homes from South Warwickshire Housing Association. The Company is exempt from the requirements of FRS 8 - Related Party Disclosures. Group accounts are publicly available.

## Notes to the Financial Statements (continued)

for the year ended 31 March 2002

### Note 5

#### Turnover

Turnover of the Company has arisen entirely within the United Kingdom and from charitable activities.

### Note 6

#### Deficit on ordinary activities

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
The deficit on ordinary activities for the year is stated after charging:		
Auditors remuneration (inclusive of VAT):-		
In their capacity as auditors	7	7
In respect of other services	0	0

### Note 7

#### Staff

##### The average number of employees expressed in full time equivalents (35 hour week)

	Number	Number
Office staff	2	1
Care staff	266	226
	<u>268</u>	<u>227</u>

##### Staff costs for the above

	£'000	£'000
Wages and salaries	3,278	2,874
Social security costs	171	155
Pension costs	236	293
	<u>3,685</u>	<u>3,322</u>

##### The average number of employees ascertained from the average number of persons employed in each month during the period of account

	Number	Number
Office staff	2	1
Care staff	342	301
	<u>344</u>	<u>302</u>

## Notes to the Financial Statements (continued)

for the year ended 31 March 2002

### Note 8 Directors' emoluments

	Year ended 31 March 2002	Year ended 31 March 2001
The only director employed by the Company is the Director of Care Services.		
Emoluments (including pensions)	<u>£ 45,487</u>	<u>£ 43,595</u>
The emoluments of the director disclosed above (excluding pension contributions) include amounts paid to:		
The highest paid director (Director of Care Services)	<u>£ 39,491</u>	<u>£ 37,890</u>

### Note 9 Pensions

#### Contributory

The Company recognises a multi-employer defined benefit scheme for staff, the assets of which are held in separately administered funds under the Local Government Superannuation Scheme by Warwickshire County Council. The Scheme is funded and contracted out of the state scheme.

The pension charge for the year was £236,335 (2001: £293,080)

The latest full valuation of that scheme was at 31 March 2001. The financial assumptions underlying that valuation were:

- (a) rate of return on investments 5.6% to 6.5% per annum.
- (b) rate of salary increases 3.8% to 4.0 % per annum.
- (c) rate of pension increases 2.3% to 2.5% per annum.
- (d) rate of dividend growth 2.3% to 2.5% per annum.

At the date of the valuation, the actuarial value of the scheme's assets was £651.9m (market value £667.5m) This represents 102% of the benefits that had accrued to members.

#### Non contributory

The Company participates in a stakeholder pension scheme operated by Norwich Union. The scheme meets the government's requirement for access to pensions by low paid employees. The Company does not contribute to the scheme.

## Notes to the Financial Statements (continued)

for the year ended 31 March 2002

### Note 10

#### Interest receivable

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Interest receivable from unlisted investments	<u>0</u>	<u>1</u>

### Note 11

#### Interest payable

	£'000	£'000
Interest on overdraft	<u>30</u>	<u>16</u>

### Note 12

#### Stocks

	£'000	£'000
Consumable stocks held by individual homes	<u>21</u>	<u>13</u>

### Note 13

#### Debtors

##### Amounts falling due within one year

	£'000	£'000
Fees	273	167
Prepayments and accrued income	15	12
Other debtors	<u>100</u>	<u>35</u>
	<u>388</u>	<u>214</u>

### Note 14

#### Creditors

##### Amounts falling due within one year

	£'000	£'000
Bank overdraft (unsecured)	59	26
Trade creditors	346	225
Inter company	825	555
Other taxation and social security costs	51	43
Other creditors	62	99
Fees received in advance	<u>43</u>	<u>24</u>
	<u>1,386</u>	<u>972</u>

The Company's policy is to pay trade creditors by the due or agreed date.

## Notes to the Financial Statements (continued)

for the year ended 31 March 2002

### Note 15

#### Called up share capital

	Year ended 31 March 2002 Number	Year ended 31 March 2001 Number
At 1 April	4	3
Issued during the year (£1 shares)	5	1
At 31 March	<u>9</u>	<u>4</u>

### Note 16

#### Revenue reserves

	£'000	£'000
At 1 April	(724)	(320)
Deficit for year	(209)	(404)
At 31 March	<u>(933)</u>	<u>(724)</u>

### Note 17

#### Contingent liabilities

There are no known contingent liabilities at 31 March 2002 (2001 : none)

## Notes to the Financial Statements (continued)

for the year ended 31 March 2002

### Note 18

#### Reconciliation of operating deficit to net cash inflow from operating activities

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Operating deficit	(179)	(389)
(Increase) / decrease in stocks	(8)	2
Increase in debtors	(174)	(34)
Increase in creditors	383	475
	<u>22</u>	<u>54</u>
Net cash inflow from operating activities	<u>22</u>	<u>54</u>

### Note 19

#### Analysis of changes in net debt

	At 1 April 2001 £'000	Cash Flows £'000	At 31 March 2002 £'000
Cash at bank and in hand	21	23	44
Bank overdraft	(26)	(33)	(59)
	<u>(5)</u>	<u>(10)</u>	<u>(15)</u>







Heart of England

HOUSING AND CARE LTD

**Registered name:**

Heart of England Housing and Care Limited

**Registered office:**

10 Greenhill Street, Stratford-upon-Avon,  
Warwickshire, CV37 6LG.

**Telephone:** 01789 404400      **Fax:** 01789 404502

**Email:** [info@heart-of-england.co.uk](mailto:info@heart-of-england.co.uk)

[www.heart-of-england.co.uk](http://www.heart-of-england.co.uk)

Registry of Friendly Societies Registration No. 28885

