



Heart of England
HOUSING AND CARE LTD

Report and Financial Statements 2002/3



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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 2002 to the date of this report unless otherwise indicated:

Chair		Moira Cole
Vice Chair	(H)	Roy Brooks
		David Ashbourne
	(H)	Peter Baker (<i>resigned 26/10/02</i>)
	(H)	Peter Jays (<i>from 25/03/03</i>)
	(W)	Eric Lanchester (<i>to 13/02/03</i>)
	(H)	Judith Lockhart
	(W)	Colin McMillan (<i>to 13/02/03</i>)
	(S)	Rosemary Ratcliffe
	(H)	Hazel Wright

(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
Assistant Director of Care Services	Michelle Shawcross
Home Manager Representative	Margaret Hook

Auditors, Advisors and Bankers

External Auditors

Mazars
The Broadway
Dudley
DY1 4PY

Internal Auditors

KPMG
2 Cornwall Street
Birmingham
B3 2DL

Legal

Needham & James
25 Meer Street
Stratford-upon-Avon
Warwickshire
CV37 6QB

Bankers

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 2003.

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 and Mission Statement

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.

The Company's Mission is "to meet the needs of our customers by providing high quality accommodation and personal care".

Nine homes were in operation at 31 March 2003. One other home opened on 14 April 2003.

Review of Business and the Future

In partnership with South Warwickshire Housing Association, the Company has completed the remodelling programme with all the care homes, except Areley House, either rebuilt or refurbished. The service currently provided from Areley House in Stourport will cease during 2004/05 when the lease expires.

At 31 March 2003 the number of rooms in operation was 420 increasing to 480 on 14 April 2003. There were 402 rooms at the start of 2002/03.

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. The Company now employs over 450 staff. Training continues apace and the number of staff with NVQ's in care is increasing in accordance with plans.

The financial results and position at 31 March are reported in the Financial Statements.

Policies and Strategies

The Company's policies are aimed at providing a quality service and meeting the requirements of the Care Standards Act 2000. The latter are inspected regularly by the National Care Standards Commission. The Company has adopted the Group policy on equality and diversity and is participating in an action plan on black, minority and ethnic issues.

The Company's strategy is to expand its services to private clients whilst fulfilling its contractual commitments to Worcestershire Social Services.

Report of the Board of Management (continued)

Competence and Accountability

Board Members and Executive Staff

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

The Group 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. 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. There is a target to have 50% of care staff NVQ qualified by 2005.

The Company is committed to equal opportunities for all its employees. The Company has a Recognition Agreement with UNISON. During 2003/04 all staff will be brought onto similar terms and conditions of service.

Advisors

The Company uses the services of professional advisors to support its staff. The key 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. A full audit was undertaken in the year and this will be repeated regularly.

Governance of the Company

Code of Governance

The Board is 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, eight 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 Executive Director and other executive officers. The Management Team meets monthly and are represented at Board Meetings.

Three 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 in 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 Controls Assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Board recognizes that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Company's assets and interests.

Report of the Board of Management (continued)

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Company is exposed and is consistent with Turnbull principles as incorporated in the Housing Corporation's Circular R2-25/01: *Internal Controls Assurance*.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some key elements of the control framework includes:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Association's activities. The process is co-ordinated through a regular reporting framework by the Management Teams of the Group and the Company. The Management Teams regularly consider reports on significant risks facing the Company and the Group Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Monitoring and corrective action

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted the code of governance 'Competence and Accountability'. The Board disseminates its requirements to all employees through the Company's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems

Financial reporting procedures include for the Company to have detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and risk management process are subject to regular review by Internal Audit who are responsible for providing independent assurance to the Board via the Audit Committee. The Audit Committee considers internal control reports and consequent risks at its meetings during the year.

The Board has received the Group Chief Executive's annual report and has taken account of any changes needed to maintain the effectiveness of the risk management and control process. The effectiveness of the system of internal control is reviewed by the Group Board.

The Board confirms that there is an ongoing process identifying, evaluating and managing significant risks faced by the Company. The process has been in place throughout the year under review, up to the date of the annual report, and is reviewed by the Board.

Report of the Board of Management (continued)

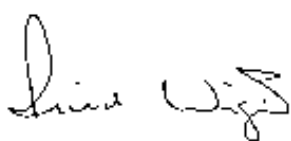
Annual General Meeting

The AGM will be held on 17 July 2003 and will receive this Report and Financial Statements.

Auditors

The external auditors, Mazars are being succeeded by PriceWaterhouseCoopers (PWC) from 2003/04, and a resolution to appoint PWC will be proposed at the AGM.

The report of the Board of Management was approved on 17 June 2003 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Richard Wright', with a stylized flourish at the end.

Richard Wright
Secretary
17 June 2003

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 2003 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.

This report is made solely to the Company's members, as a body, in accordance 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 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 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)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2003 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
CHARTERED ACCOUNTANTS
and Registered Auditors
The Broadway
Dudley
West Midlands
DY1 4PY

17 June 2003

Income and Expenditure Account

for the year ended 31 March 2003

		Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
	Notes		
Turnover	5	6,233	5,485
Operating costs		<u>(6,332)</u>	<u>(5,664)</u>
Operating deficit	6	(99)	(179)
Interest receivable and similar income	10	0	0
Interest payable and similar charges	11	<u>(43)</u>	<u>(30)</u>
Deficit for year		(142)	(209)
Revenue reserve brought forward		<u>(933)</u>	<u>(724)</u>
Revenue reserve carried forward		<u><u>(1,075)</u></u>	<u><u>(933)</u></u>

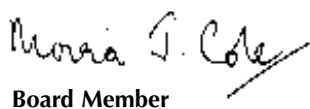
The Company's turnover and expenses all relate to continuing operations.

Balance Sheet

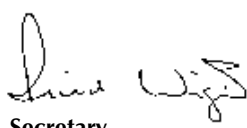
as at 31 March 2003

		Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
	Notes		
Current assets			
Stocks	12	18	21
Debtors	13	354	388
Cash at bank and in hand		<u>20</u>	<u>44</u>
		392	453
Creditors: amounts falling due within one year	14	<u>(1,467)</u>	<u>(1,386)</u>
Net current liabilities		<u>(1,075)</u>	<u>(933)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,075)</u>	<u>(933)</u>
Capital and Reserves			
Called up share capital	15	0	0
Revenue reserve	16	<u>(1,075)</u>	<u>(933)</u>
		<u>(1,075)</u>	<u>(933)</u>

The financial statements on pages 10 to 19 were approved by the Board of Management on 17 June 2003 and were signed on its behalf by:


Board Member


Board Member


Secretary

The notes on pages 13 to 19 form part of these financial statements.

Cashflow Statement

for the year ended 31 March 2003

			Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
	Notes	£'000	£'000	£'000
Net cash inflow from operating activities	19		45	22
Returns on investments and servicing of finance				
Interest received		0		0
Interest paid		<u>(43)</u>		<u>(32)</u>
Net cash outflow from returns on investments and servicing of finance			<u>(43)</u>	<u>(32)</u>
Net cash inflow / (outflow) before financing			2	(10)
Financing				
Loans received		0		0
Loans redemption repayments		<u>0</u>		<u>0</u>
			<u>0</u>	<u>0</u>
Increase / (Decrease) in cash	20		<u>2</u>	<u>(10)</u>

Notes to the Financial Statements

for the year ended 31 March 2003

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.

(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 in accordance with the terms 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.

Notes to the Financial Statements (continued)

for the year ended 31 March 2003

(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.

(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 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 2003

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 2003 £'000	Year ended 31 March 2002 £'000
The deficit on ordinary activities for the year is stated after charging:		
Auditors remuneration (inclusive of VAT):-		
In their capacity as auditors	8	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	2
Care staff	329	266
	<u>331</u>	<u>268</u>

Staff costs for the above

	£'000	£'000
Wages and salaries	3,934	3,278
Social security costs	212	171
Pension costs	189	236
	<u>4,335</u>	<u>3,685</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	2
Care staff	430	342
	<u>432</u>	<u>344</u>

Notes to the Financial Statements (continued)

for the year ended 31 March 2003

Note 8 Directors' emoluments

	Year ended 31 March 2003	Year ended 31 March 2002
The only director employed by the Company is the Director of Care Services.		
Emoluments (including pensions)	<u>£ 46,923</u>	<u>£ 45,487</u>
The emoluments of the director disclosed above (excluding pension contributions) include amounts paid to:		
The highest paid director (Director of Care Services)	<u>£ 41,150</u>	<u>£ 39,491</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 £188,729 (2002: £236,335)

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 2003

Note 10

Interest receivable

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Interest receivable from unlisted investments	<u>0</u>	<u>0</u>

Note 11

Interest payable

	£'000	£'000
Interest on overdraft	<u>43</u>	<u>30</u>

Note 12

Stocks

	£'000	£'000
Consumable stocks held by individual homes	<u>18</u>	<u>21</u>

Note 13

Debtors

Amounts falling due within one year

	£'000	£'000
Fees	238	273
Prepayments and accrued income	35	15
Other debtors	<u>81</u>	<u>100</u>
	<u>354</u>	<u>388</u>

Note 14

Creditors

Amounts falling due within one year

	£'000	£'000
Bank overdraft (unsecured)	33	59
Trade creditors	303	346
Inter company	1,014	825
Other taxation and social security costs	63	51
Other creditors	25	62
Fees received in advance	<u>29</u>	<u>43</u>
	<u>1,467</u>	<u>1,386</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 2003

Note 15

Called up share capital

	Year ended 31 March 2003 Number	Year ended 31 March 2002 Number
At 1 April	9	4
Issued / (forfeited) during the year (£1 shares)	(2)	5
At 31 March	<u>7</u>	<u>9</u>

Note 16

Revenue reserves

	£'000	£'000
At 1 April	(933)	(724)
Deficit for year	(142)	(209)
At 31 March	<u>(1,075)</u>	<u>(933)</u>

Note 17

Contingent liabilities

There are no known contingent liabilities at 31 March 2003 (2002 : none)

Note 18

Operating Leases

At 31 March 2003 annual commitments under non-cancellable operating leases comprise

	£'000	£'000
Land and buildings - expiring in more than five years	<u>816</u>	<u>633</u>

Notes to the Financial Statements (continued)

for the year ended 31 March 2003

Note 19

Reconciliation of operating deficit to net cash inflow from operating activities

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Operating deficit	(99)	(179)
Decrease / (increase) in stocks	4	(8)
Decrease / (increase) in debtors	34	(174)
Increase in creditors	106	383
Net cash inflow from operating activities	45	22

Note 20

Analysis of changes in net debt

	At 1 April 2002 £'000	Cash Flows £'000	At 31 March 2003 £'000
Cash at bank and in hand	44	(24)	20
Bank overdraft	(59)	26	(33)
	(15)	2	(13)





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.

Registry of Friendly Societies Registration No. 28885

Telephone: 01789 404426

Fax: 01789 404502

Email: info@heart-of-england.co.uk

www.heart-of-england.co.uk/care