

**HEART OF ENGLAND HOUSING & CARE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2010**



**Building Brighter Futures...**

for people and communities

# HEART OF ENGLAND HOUSING & CARE LIMITED

## CONTENTS

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	<b>PAGE</b>
Board Members, Executive Officers and Auditors	2
Operating and Financial Review	3-8
Report of the Board	9-11
Independent Auditors' Report	12-13
Income And Expenditure Account	14
Balance Sheet	15
Cashflow Statement	16
Notes to the Financial Statements	17-26

**Industrial and Provident  
Society Number 28885R**

# HEART OF ENGLAND HOUSING & CARE LIMITED

## BOARD MEMBERS, EXECUTIVE OFFICERS AND AUDITORS

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

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

### Board of Management (The Board)

The Members set out below have held office during the whole of the period from 1 April 2009 to the date of this report unless otherwise indicated:

Chair	Steve Phillips (to 21/7/09)
Acting Chair	Robin Richmond (from 21/7/09 to 9/12/09)
Acting Chair	Lindsay Dennish (from 9/12/09)
Vice Chair	Robin Richmond (to 21/7/09)
	Lindsay Dennish (to 9/12/09)
	Judith Lockhart (to 21/7/09)
	Rosemary Ratcliffe
	Carol Thompson
	Frances Wright
	Anne Turner (from 21/7/09 to 31/7/10)
	Paul Rabbetts (from 21/7/09 to 31/7/10)

Anne Turner and Paul Rabbetts are Executive Board Members but not shareholders

### Senior Management Team

Managing Director	Sharon Blackburn (to 30/4/09)
Interim Operations Director	Paul Rabbetts (from 1/5/09)
Director of Care	John McCarthy (to 3/1/10)
Head of Care (North)	Michelle Shawcross
Head of Care (South)	Jo Phelps (from 7/12/09)

**External Auditors** KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

**Legal Advisors** Needham & James  
Needham & James House  
Bridgeway  
Stratford-upon-Avon  
Warwickshire  
CV37 6YY

## **HEART OF ENGLAND HOUSING & CARE LIMITED**

### **OPERATING AND FINANCIAL REVIEW**

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On 1 April 2008 the Company became a member of the Orbit Group as a result of the merger between the Orbit and Heart of England Groups. The company is now a subsidiary of Orbit Group Ltd.

#### **NATURE OF THE BUSINESS**

The principal activity of the Company is the operation of residential care homes for elderly people.

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

The Company operates 9 homes 459 beds and 103 daycare places all in Worcestershire where it is the largest single operator in the county. All homes have facilities for residential clients and for daycare clients.

The Company is regulated by the Care Quality Commission (CQC). All the homes and the managers have been registered with them.

The accommodation and services have to comply with the requirements of the Care Standards Act 2000 and this is tested by regular inspection by CQC. They publish reports on their findings.

The Company is governed by a Board of Management composed of five to twelve members (excluding co-optees). The Company has representation on the Board of the Parent (Orbit Group).

The Company is managed by a senior management team headed by a Managing Director / Interim Operations Director and supported by a Director of Care and Heads of Care. Senior management team members attend Board meetings. Overall strategic direction and central support services are provided by the Parent.

#### **Objectives and Strategy**

The objectives and strategy of the Company are set out in a business plan that is reviewed annually and approved by the Board.

The business planning process includes an assessment of strengths and weaknesses, opportunities and threats which are discussed annually between the senior management team and the Board.

The Company's main objectives and strategies for both the past year and the coming year are summarised in the next table.

# HEART OF ENGLAND HOUSING & CARE LIMITED

## OPERATING AND FINANCIAL REVIEW

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### NATURE OF THE BUSINESS (continued)

#### Objectives and strategy (continued)

	Objectives	Strategy
<b>Asset management</b>	To maintain full compliance with the Care Standards Act 2000 and to offer higher standards than competitors	<ul style="list-style-type: none"><li>• refurbishment programmes reviewed annually based on stock surveys</li></ul>
<b>Corporate responsibility</b>	To employ staff locally	<ul style="list-style-type: none"><li>• offer competitive terms and training programmes</li></ul>
	To support the needs of the public and voluntary sectors	<ul style="list-style-type: none"><li>• work with local authorities and local partners</li></ul>
	Commitment to Diversity	<ul style="list-style-type: none"><li>• to apply through admission and recruitment policies</li></ul>
<b>Personal Care</b>	To provide high quality services	<ul style="list-style-type: none"><li>• monitor performance against targets</li></ul>
	To seek continuous improvement	<ul style="list-style-type: none"><li>• use Best Value techniques to challenge and improve services to residents and clients</li></ul>
	To undertake annual resident and relatives review meetings	<ul style="list-style-type: none"><li>• use customer feedback to ensure quality</li></ul>
<b>Finance</b>	To meet targets sufficient to maintain adequate financial strength, support growth and refurbishment	<ul style="list-style-type: none"><li>• continuous update of 30 year financial plan</li></ul>
	To meet lenders' covenants	<ul style="list-style-type: none"><li>• assessment of impact of new investment on financial plan</li></ul>
	To have funding in place to finance all expected expenditure over next 5 years	<ul style="list-style-type: none"><li>• facilities already in place</li></ul>
	To ensure Value for Money in all services provided	<ul style="list-style-type: none"><li>• review procurement to maximise purchasing power</li></ul>

# HEART OF ENGLAND HOUSING & CARE LIMITED

## OPERATING AND FINANCIAL REVIEW

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### NATURE OF THE BUSINESS (continued)

#### Measures

The next table lists some of the key indicators used by senior management and the Board to monitor achievement of these objectives.

<b>Corporate responsibility</b>	<ul style="list-style-type: none"><li>• reporting to board</li></ul>
<b>Personal care</b>	<ul style="list-style-type: none"><li>• CQC reports</li><li>• complaints/compliments</li></ul>
<b>Financial</b>	<ul style="list-style-type: none"><li>• management accounts/budgets</li><li>• loan covenants<ul style="list-style-type: none"><li>○ interest cover</li><li>○ gearing</li></ul></li><li>• occupancy levels</li><li>• ratio of staff costs to turnover</li><li>• average fee rates</li></ul>

### OPERATING REVIEW

#### Performance in year

Turnover and operating surplus is reported in notes 5 and 6. This can be summarised as follows:

£000	Turnover		Operating Surplus	
	2010	2009	2010	2009
Care Services	10,903	10,536	1,305	1,304

#### Investment for the future

The Board is committed to spending sufficient each year to maintain its accommodation.

# HEART OF ENGLAND HOUSING & CARE LIMITED

## OPERATING AND FINANCIAL REVIEW

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### FINANCIAL REVIEW

The principal aim of this section is to explain the capital structure of the Company, its treasury policy, its sources of liquidity and their application including the implications of the financing requirements arising from its investment plans.

The main accounting policies that are critical to the results of the Company are the method of accounting for capital valuation, depreciation and debt repayment.

#### Capital structure and treasury policy

Borrowings at the year end were £15.4 million, borrowed wholly from Lloyds TSB. A further £334k can be drawn from this facility. Additionally, £2.1 million is owed to Orbit Heart of England being the sum of the outstanding instalments in respect of the purchase of the Care Homes in 2006.

Treasury management is the responsibility of the Orbit Group. Strategy is set annually and approved by the Group Board. The policy during the year was to maintain between 45% and 80% of borrowings at fixed rates of interest of more than one year. In response to the extreme volatility in the capital markets, the Group Board approved additional fixings to protect the Company. This resulted in the percentage of fixed rate borrowings exceeding the policy.

The Company did not make use of hedging instruments other than to fix variable rate debt. It borrowed only in sterling and so did not have any currency risk.

#### Current liquidity

Cash and bank balances at the year-end were £338k. A further £1m was invested with Orbit Group Limited. Net current assets were £84k.

#### Post Balance Sheet Event

It has been agreed that the Company will become a member of the Sanctuary Housing Group during 2010 and the relevant documentation to complete this change has been forwarded to the FSA.

#### Going Concern

Under the governance requirements, 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 Financial Statements.

# HEART OF ENGLAND HOUSING & CARE LIMITED

## OPERATING AND FINANCIAL REVIEW

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### Responsibility for the System of Internal Control

The Heart of England Housing and Care Board acknowledges that it has the overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

### Scope of Assurance

The Board recognises 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 to provide reasonable assurance that the 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.

### Risk Management Process

Heart of England Housing and Care has in place a Risk Management Framework, which is compliant with the requirements of the Care Quality Commission (CQC).

The process for the identification and management of risks is an ongoing process and has been in place throughout the year under review. The control environment to manage these risks is continually evaluated and monitored by the Heart of England Housing and Care Board. The lead person for risk management is the Heart of England Housing and Care Interim Operations Director.

### Process for Reviewing the Effectiveness of the Internal Control System

The Heart of England Housing and Care Board has established a robust and comprehensive framework to assess the effectiveness of the internal control system. The framework comprises of different sources of assurance the more significant ones being Internal Audit, the Group Audit Committee, External Audit, the Senior Management Team and the CQC. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

- The Heart of England Housing and Care Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including new investment projects. The Board also regularly reviews key performance indicators to assess the progress towards the achievement of key business objectives, targets and outcomes.
- Heart of England Housing and Care has in place an Internal Audit Plan. The plan covers financial and non-financial areas of Heart of England Housing and Care's business. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports. Additionally, as part of each audit review, the Group Audit Team follow up the previous year's recommendations and the extent to which these have been implemented form part of the Audit Report.
- During 2009/10 a number of audit reviews have been completed and a number of recommendations have been made to improve controls in relevant areas.

### Control Environment

The Organisation has a number of measures in place to instil and encourage a suitable culture of effective internal control. These mechanisms include the following:

- It has adopted the Group Standing Orders which include appropriate delegations of Authority, signatories and mandates. A copy of the Group's Standing Orders is available to all staff and compliance is an implied term of an employee's contract of employment.



## HEART OF ENGLAND HOUSING & CARE LIMITED

### OPERATING AND FINANCIAL REVIEW

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- The Organisation has adopted the NHF Code of Governance, which provides guidance to members on best practice in the governance of Housing Associations, and the 'Terms of Reference', for Board and its Committees is based on the guidance therein.
- Formal policies and procedures are in place, including the documentation of key systems.
- Annual appraisal procedures are well established for staff, appropriate training and development opportunities are offered to all staff to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives. Regular management accounts are prepared which provide relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated and reported.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through Board Members and others as appropriate.
- The Group Audit Committee reviews reports from management, internal auditors and external auditors to provide reasonable assurance that control procedures are in place and are being followed across the Group. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from these reports.

#### **Fraud**

Heart of England Housing and Care complies with the CQC's requirements on fraud. Relevant cases are reported to the CQC. The Group Standing Orders outline a policy on responding to suspected fraud and corruption. A fraud register is maintained and reviewed regularly by the Group Audit Committee and reported to the Orbit Group Board.

#### **Board's Conclusion**

The Board confirms that the process for identifying, evaluating and managing significant risks faced by the Heart of England Housing and Care is ongoing and has been in place throughout the year under review, and is regularly reviewed by the Board. There is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. No fundamental weaknesses were identified which required disclosure in the financial statements.



**Lindsay Dennish**  
**Acting Chair**  
**21 July 2010**

# HEART OF ENGLAND HOUSING & CARE LIMITED

## REPORT OF THE BOARD

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The Board present their Report and audited Financial Statements for the year ended 31 March 2010.

### **Corporate Status**

The Company is a member of the Orbit Group and has operated as a subsidiary of the Parent (Orbit Group Ltd) since 1 April 2008. Prior to this it had been a subsidiary of Heart of England Housing Group Ltd since its formation in July 1999.

The Company is a not-for-profit organisation registered on 9 April 1999 as an Industrial and Provident Society. It has exempt charitable status.

### **Competence and Accountability**

#### **Board Members and Executive Officers**

The present Board membership is listed on page 2.

The Managing Director was employed by Orbit Heart of England and the Interim Operations Director is contracted by Orbit Heart of England. Both provided services through a Service Level Agreement with the Company. The Director of Care and Heads of Care are employed by the Company. They held no interest in the Company's shares and have no legal status as directors although they acted as executives within the authority delegated by the Board.

#### **Employees**

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

The Company continues to provide information on objectives, progress and activities through regular office and departmental meetings. Training programmes focus on quality, customer care and ways to improve services through the development of the staff.

The Company is committed to equal opportunities for all its employees and welcomes diversity.

#### **Advisors and Contractors**

The Company uses the services of professional advisors to support its staff. The key advisors are listed on page 2. The Company also employs a range of contractors and expects to receive high quality, good value service with a commitment to customer care.

#### **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 and staff.

#### **Donations**

During the year Heart of England Housing and Care Limited made charitable donations of £250k to Orbit Group Limited and has approved a further donation of £250k in 2010/11.

# HEART OF ENGLAND HOUSING & CARE LIMITED

## REPORT OF THE BOARD

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### **Governance of the Company**

#### *NHF Code of Governance*

The Company complies with the principal recommendations of the NHF Code of Governance. Compliance is monitored during the year.

#### *Subsidiary Status*

The Company is a subsidiary of Orbit 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.

#### *Board of Management*

The Board of Management comprises five to twelve members (excluding co-optees) and is responsible for managing the affairs of the Company. The Board members are drawn from a wide background bringing together persons with professional, commercial, and care experience.

The Board meets, formally, five times a year for regular business. It does not delegate routine work and responsibilities to Committees.

The Board is responsible for the Company's policy and strategy framework. It delegates the day-to-day management and implementation of policies to the Senior Management Team. They meet regularly and attend the Board meetings.

The Chair of Heart of England Housing and Care Board serves on the Orbit Group Board, and one Board member is nominated to the Group Audit Committee and one to the Group Services Committee.

The Company obtains liability insurance cover for the Board members who are now paid within the scale recommended by the National Housing Federation.

The terms of reference and standing orders of the Board are reviewed at least every two years.

### **Board Members' Responsibilities**

Registered Social Landlord legislation and Accounting Determinations require the Board to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs 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 account 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 account 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.

## HEART OF ENGLAND HOUSING & CARE LIMITED

### REPORT OF THE BOARD

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The Board has received the statement on internal controls 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.

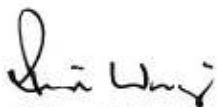
#### **Annual General Meeting**

The AGM will be held on 21 July 2010 and will receive this Report and Financial Statements.

#### **Auditors**

A resolution to appoint auditors will be proposed at the AGM.

The Report of the Board of Management was approved on 21 July 2010 and signed by:



**Richard Wright**  
**Company Secretary**  
**21 July 2010**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEART OF ENGLAND HOUSING & CARE LIMITED**

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We have audited the financial statements of Heart of England Housing and Care Ltd for the year ended 31 March 2010 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 accounting policies set out therein.

This report is made solely to the society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditors**

The Society's Board of Management's responsibility for the preparation of the Board's Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of the Board's Responsibilities on page 10.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2003.

We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Society has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We are not required consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Society's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society'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 & CARE LIMITED

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## Opinion

In our opinion the Society's financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 March 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003.

*M. A. McDonagh* 27-07-10

M A McDonagh for and on behalf of  
**KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
*Registered Auditor*

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

# HEART OF ENGLAND HOUSING & CARE LIMITED

## INCOME AND EXPENDITURE For the Year Ended 31 March 2010

	NOTES	2010 £'000	2009 £'000
Turnover	5	10,903	10,536
Operating Costs		(9,598)	(9,232)
<b>Surplus on Ordinary Activities before Interest</b>	6	<b>1,305</b>	<b>1,304</b>
Interest Receivable and Similar Income	10	18	48
Interest Payable and Similar Charges	11	(846)	(862)
Financing (cost)/income	9	(125)	(38)
<b>Surplus for year before Donation</b>		<b>352</b>	<b>452</b>
Donation to Orbit Group Limited		(250)	-
<b>Surplus for year after Donation</b>		<b>102</b>	<b>452</b>
Revenue Reserves brought forward		(540)	(704)
Actuarial losses taken to reserves	9	(338)	(288)
<b>Revenue Reserves at 31 March</b>		<b>(776)</b>	<b>(540)</b>

All amounts derive from continuing operations.

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS For the Year Ended 31 March 2010

		2010 £'000	2009 £'000
<b>Surplus for the Financial Year</b>		<b>102</b>	<b>452</b>
Unrealised deficit on revaluation of homes	19	(866)	-
Actual return less expected return on pension scheme assets	9	1,149	(1,333)
Gains & losses arising on pension scheme liabilities	9	(1,487)	1,045
<b>Total Surplus Recognised</b>		<b>(1,102)</b>	<b>164</b>
<b>Prior year restatement:</b>			
Pension Valuation	9	-	(15)
		<b>(1,102)</b>	<b>149</b>

## NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS For the Year Ended 31 March 2010

		2010 £'000	2009 £'000
<b>Surplus for the Financial Year</b>		<b>102</b>	<b>452</b>
Difference between an historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount		2	53
		<b>104</b>	<b>505</b>


# HEART OF ENGLAND HOUSING & CARE LIMITED

## BALANCE SHEET

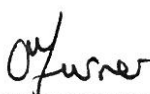
At 31 March 2010

	NOTES	2010		2009	
		£'000	£'000	£'000	£'000
<b>Tangible Fixed Assets</b>					
Care Homes	12		25,905		27,119
<b>Current Assets</b>					
Stocks	13	22		20	
Debtors	14	1,371		345	
Cash at Bank and in Hand		338		686	
		<u>1,731</u>		<u>1,051</u>	
<b>Creditors: Amounts falling due within one year</b>	15	<u>(1,647)</u>		<u>(967)</u>	
<b>NET CURRENT ASSETS</b>			84		84
<b>TOTAL ASSETS LESS CURRENT ASSETS</b>			<u><b>25,989</b></u>		<u><b>27,203</b></u>
<b>Creditors: Amounts falling due after more than one year</b>	16		17,516		18,064
<b>Pension Liability</b>	9		1,761		1,325
<b>Capital and Reserves</b>					
Called up Share Capital	18	-		-	
Revenue Reserves	19	(776)		(540)	
Revaluation Reserve	19	7,488		8,354	
			<u>6,712</u>		<u>7,814</u>
			<u><b>25,989</b></u>		<u><b>27,203</b></u>

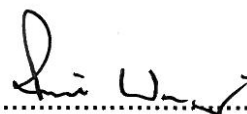
The financial statements on pages 14 to 26 were approved by the Board on 21 July 2010 and signed on its behalf by:



.....  
Lindsay Dennish  
ACTING CHAIR



.....  
Anne Turner  
BOARD MEMBER



.....  
Richard Wright  
SECRETARY



# HEART OF ENGLAND HOUSING & CARE LIMITED

## CASHFLOW STATEMENT

For the Year Ended 31 March 2010

	2010		2009	
	£'000	£'000	£'000	£'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 22)</b>		1,487		3,223
<b>Returns on Investments and Servicing of Finance</b>				
Interest Received	18		48	
Interest Paid	(849)		(867)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(831)		(819)
<b>Capital Expenditure and Financial Investment</b>				
Acquisition and investment in care homes		(264)		(1,762)
<b>NET CASH INFLOW BEFORE FINANCING</b>		392		642
<b>Financing (Note 23)</b>				
Loans Received	-		-	
Loan redemption repayments	(548)		(183)	
<b>NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		(548)		(183)
<b>INCREASE IN CASH AT BANK AND IN HAND (Note 23)</b>		<b>(156)</b>		<b>459</b>

# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

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### 1 LEGISLATIVE PROVISIONS

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

### 2 FINANCIAL REPORTING STANDARDS

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

### 3 ACCOUNTING POLICIES

(a) *Accounting convention*

The Financial Statements are prepared under historical cost convention with the exception of the care home properties which are reported at open market value in the Balance Sheet (refer to note 12).

(b) *Turnover*

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

(c) *Valuation of Properties*

The Company's residential care homes are shown at market value as fully operational going concerns.

(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:

- residential care homes	3.33% p.a.
- computer and communication equipment	33% p.a.
- furniture, fittings and equipment	25% p.a.

The depreciable amount in respect of the care homes is the value less residual value. Residual value is considered to be the vacant possession value of the land.

(e) *Interest and finance costs*

Interest and finance costs are charged in the year in which they are incurred.

(f) *Operating Leases*

Rentals payable under operating leases are charged in accordance with the terms of the lease. There were no annual commitments under non-cancellable operating leases at 31 March 2010 (2009: none)

## HEART OF ENGLAND HOUSING & CARE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

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#### 3 ACCOUNTING POLICIES (CONTINUED)

(g) *Pension costs*

The Pension costs relating to the Local Government Pension Scheme are charged against income based on an actuarial method and actuarial assumptions. These are designed to provide the anticipated pension cost over the average service lives of the employees in the scheme in a way that seeks to ensure that the regular pension cost represents a broadly level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions. Variations from the current cost are spread over the remaining service lives of current employees in the pension scheme. The Group has adopted the provisions of FRS 17 'Retirement Benefits' in preparing these accounts.

(h) *Stocks*

Stocks are stated at value.

(i) *VAT*

The Company is VAT registered, as part of the Orbit 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.

#### 4 GROUP STRUCTURE

(a) At 31 March 2010 the Company is a subsidiary of the Orbit Group and is not required to prepare group accounts.

(b) The parent of the Group is Orbit Group Ltd.  
The parent was incorporated under the Industrial & Provident Societies Act 1965 (Registration No. R28503R) and a Registered Social Landlord (no. L4123).

(c) All Group members are incorporated. The registered office for the group is:

Garden Court  
Harry Weston Road  
Binley Business Park  
Coventry  
West Midlands  
CV3 2SU

(d) There are no inter company guarantees within the Group. The parent provides services on a commercial basis to the subsidiaries via the Inter Group Agreement. The Company adopts the exemptions offered in FRS 8 - Related Party Disclosures and has therefore not disclosed transactions or balances with entities which form part of the Group. Group accounts are publicly available.

# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

### 5 TURNOVER

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

### 6 OPERATING SURPLUS

	2010 £'000	2009 £'000
<b>Operating Surplus is Stated after Charging</b>		
<b>On Care Homes:</b>		
Depreciation (owned assets)	538	533
<b>Auditor's Remuneration:</b>		
In their capacity as Auditors	17	12
In respect of other services	-	-

### 7 STAFF COSTS

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

	2010 Number	2009 Number
Office Staff	4	4
Care staff	372	368
	<u>376</u>	<u>372</u>
<b>Staff costs for the Above</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Wages and salaries	5,611	5,349
Social security costs	341	331
Other pension costs	84	90
	<u>6,036</u>	<u>5,770</u>

### 8 DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Directors of the Company are its Board and Managing Director. The Managing Director, who was employed by Heart of England Housing Association Limited, left the company in May 2009. The Interim Operations Director is contracted by Heart of England Housing Association Limited, the cost of which is not included below. Their services were provided through an Intra Group Agreement and Customer Supplier Agreement with the Company.

	2010 £'000	2009 £'000
Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria and other benefits	<u>25</u>	<u>26</u>
Aggregate emoluments paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	<u>12</u>	<u>109</u>
Emoluments of the highest paid Director excluding Pension Contributions included in aggregate emoluments of Directors who are executive staff members	<u>11</u>	<u>95</u>

# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

### 9 PENSIONS

#### Contributory

The Company participates in a defined pension scheme as an "Admitted Body" to the Local Government Pension Scheme administered by Warwickshire County Council.

The latest actuarial valuation was as at 31 March 2007 when the Scheme's assets were valued at £1,000,800,000.

Employer contributions made by the Company to the Scheme for the year were £84,477 (2009: £90,280) in respect of ordinary contributions. The cost is assessed in accordance with advice from a qualified actuary. Employer contributions to the Scheme of £6,005 (2009: £7,432) were included in creditors and paid after the year end.

The following information in respect of the Warwickshire County Council Pension Fund is provided for Heart of England Housing and Care Limited.

The Warwickshire County Council Scheme is a multi-employer defined benefit scheme. The full actuarial valuation carried out at 31 March 2007 was updated to 31 March 2010, using suitable approximate methods, by a qualified independent actuary.

The financial assumptions underlying the valuation were as follows:

Per Annum	2010	2009	2008
Retail Price Inflation	3.3%	3.3%	3.6%
Wage Inflation	5.05%	5.05%	5.35%
Discount rate	5.6%	7.1%	6.1%
Allowance for future pension increases	3.3%	3.3%	3.6%

The Company's share of fair values of each class of assets held by the Fund as at 31 March and the expected rates of return for the ensuing year are set out the following table:

	Value at 31/03/10 £000	Value at 31/03/09 £000	Value at 31/03/08 £000
Equities	3,662	2,598	3,340
Government Bonds	492	413	463
Other Bonds	710	619	737
Property	219	206	214
Cash/Liquidity	109	83	71
Other	273	206	259
Total	<u>5,465</u>	<u>4,125</u>	<u>5,084</u>
	<b>Expected Rates of Return at 31 March</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Equities	7.5%	7.5%	7.5%
Government Bonds	4.5%	4.0%	4.6%
Other Bonds	5.2%	6.0%	6.1%
Property	6.5%	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%	5.25%
Other	7.5%	7.5%	7.5%
Total	<u>6.8%</u>	<u>6.7%</u>	<u>7.0%</u>

# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

### 9 PENSIONS (CONTINUED)

Under the Local Government Pension Scheme, it is not possible separately to identify each main class of assets with a particular member of the Scheme. The above assets as a whole are allocated to participating bodies on the consistent and reasonable basis. The actuary has amended the classification of assets and the fair values shown above have been amended to reflect this.

The Company's share of the net assets and liabilities of the Warwickshire County Council Fund is set out below:

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Share of assets in the Fund	5,465	4,125	5,084
Estimated liabilities in the Fund	<u>(7,226)</u>	<u>(5,450)</u>	<u>(6,087)</u>
Share of deficit in the Fund	<u>(1,761)</u>	<u>(1,325)</u>	<u>(1,003)</u>

The movement in the net deficit of the Company for the year to 31 March is as follows:

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
Net deficit at 1 April	(1,325)	(1,003)
<b>Movement in the year:</b>		
Operating charge - Current service cost	(57)	(89)
Operating charge – Past service gain	-	-
Contributions	84	93
<b>Finance Income:</b>		
Expected return on Pension Fund assets	259	334
Interest on Pension scheme liabilities	<u>(384)</u>	<u>(372)</u>
<b>Total Finance Income</b>	(125)	(38)
Actuarial loss	<u>(338)</u>	<u>(288)</u>
Net deficit at 31 March	<u>(1,761)</u>	<u>(1,325)</u>

The actuarial loss is further analysed as follows:

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
Actuarial loss on pension scheme assets	1,149	(1,333)
Experience gains and losses arising on scheme liabilities	<u>(1,487)</u>	<u>1,045</u>
	<u>(338)</u>	<u>(288)</u>

# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

### 9 PENSIONS (CONTINUED)

#### Reconciliation to the balance sheet at 31 March

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Net Assets</b>		
Net assets excluding pension liability	8,473	9,139
Pension liability	<u>(1,761)</u>	<u>(1,325)</u>
Net assets including pension liability	<u>6,712</u>	<u>7,814</u>
<b>Reserves</b>		
Income and expenditure reserve excluding pension liability	985	785
Pension liability	<u>(1,761)</u>	<u>(1,325)</u>
Income and expenditure reserve including pension liability	<u>(776)</u>	<u>(540)</u>

#### History of experience gains and losses at end of year

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Difference between the expected and actual return on scheme assets:					
Amount £000	1,149	(1,333)	(1,028)	(45)	744
Percentage of scheme assets	21.0	(32.3)	(20.2)	(0.8)	13.5
Experience gains and losses arising on the scheme liabilities:					
Amount £000	(1,487)	1,045	737	0	(81)
Percentage of scheme liabilities	20.6	(19.2)	(12.1)	0	1.2
Total amount recognised gains and losses:					
Amount £000	(338)	(288)	(291)	263	178
Percentage of scheme liabilities	4.7	5.3	4.8	(4.0)	(2.7)

#### Non Contributory

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

#### Pension Prior Year Restatement

The actuarial valuation undertaken in the comparative year resulted in a prior year restatement.

	<b>£'000</b>
Restatement of opening reserve at 1 April 2007	(17)
Restatement of surplus for year ended 31 March 2008	2
Total prior year restatement	<u>(15)</u>

The restatement of £15k is disclosed on the face of the statement of total recognised surpluses & deficits.

# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

### 10 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Interest Receivable from Unlisted Investments	<u>18</u>	<u>48</u>

### 11 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
<b>On Bank Loans, Overdrafts and Other Loans</b>		
Repayable within 5 years, not by instalments	-	-
Repayable by instalments wholly or partly, in more than 5 years	846	862
Loan Refinancing Costs	<u>-</u>	<u>-</u>
	<u>846</u>	<u>862</u>

### 12 TANGIBLE FIXED ASSETS – CARE HOMES

	Completed Homes £'000	Improvements £'000	Total £'000
<b>Valuation</b>			
At start of year	26,200	1,985	28,185
Improvements at cost	-	190	190
Transfer to completed schemes	2,175	(2,175)	-
Deficit on revaluation	<u>(2,025)</u>	<u>-</u>	<u>(2,025)</u>
<b>At end of year</b>	<u>26,350</u>	<u>-</u>	<u>26,350</u>
<b>Depreciation</b>			
At start of year	1,066	-	1,066
Charged during year	538	-	538
Transfer to Revaluation Reserve	<u>(1,159)</u>	<u>-</u>	<u>(1,159)</u>
<b>At end of year</b>	<u>445</u>	<u>-</u>	<u>445</u>
<b>Net Book Value</b>			
<b>At end of year</b>	<u><b>25,905</b></u>	<u><b>-</b></u>	<u><b>25,905</b></u>
<b>End of year Net Book Value is represented by:</b>			
Revaluation	7,488	-	7,488
Gross Cost	20,625	-	20,625
Depreciation	<u>(2,208)</u>	<u>-</u>	<u>(2,208)</u>
<b>Net Book Value</b>	<u><b>25,905</b></u>	<u><b>-</b></u>	<u><b>25,905</b></u>

The properties were valued on 2 June 2009 by Pinders Professional & Consultancy Services Limited. The care homes were assessed at market value as a fully operational going concern. The Company holds the freehold title of each care home.

The improvements relate to works at Ravenhurst Care Home in Stourport on Severn. These works were completed during the financial year and are therefore shown at value.



# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

### 13 STOCKS

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Consumable stocks held by individual homes	<u>22</u>	<u>20</u>

### 14 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Fees	297	295
Prepayments and Accrued Income	-	3
Amounts Due from other Group Members	1,000	-
Other Debtors	<u>74</u>	<u>47</u>
	<u>1,371</u>	<u>345</u>

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Bank Overdraft (unsecured)	-	192
Trade Creditors	309	296
Amounts Due to Other Group Members	960	4
Other taxation and social security payable	88	85
Other Creditors	154	145
Accruals and Deferred Income	11	40
Fees received in advance	<u>125</u>	<u>205</u>
	<u>1,647</u>	<u>967</u>

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
External Loan - LloydsTSB	15,416	15,614
Monies due to OHE for purchase of care homes	<u>2,100</u>	<u>2,450</u>
	<u>17,516</u>	<u>18,064</u>

The loan facility of £16 million was completed on 31 December 2005 and fully drawn by January 2006. Principal repayments of £197,853 were made during the year. The majority of the loan has been fixed, with callable options, at rates from 4.715% to 6.065%. The loans are secured on fixed charges on the Company's care homes.

During the year £350k was repaid to OHE in respect of the purchase of the care homes. The remaining monies due will be paid in equal instalments over the next 6 years.

# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2010

### 17 LOANS AND FINANCE LEASE OBLIGATIONS

The Loan is repayable at varying rates of interest in instalments due as follows:

	2010 £'000	2009 £'000
In One Year or Less, or on Demand	-	-
Repayable by Instalments:		
- In more than One Year but not more than Two Years	43	-
- In more than Two Years but not more than Five Years	1,089	948
- In more than Five Years	14,284	14,666
	<u>15,416</u>	<u>15,614</u>
Repayable Other than by Instalments:		
- In more than Five Years	-	-
	<u>15,416</u>	<u>15,614</u>

### 18 CALLED UP SHARE CAPITAL

	2010 £	2009 £
<b>Shares of £1 Each, allotted, issued and fully paid</b>		
At 1 April	8	9
Adjusted during the year	<u>(2)</u>	<u>(1)</u>
<b>At 31 March</b>	<u><b>6</b></u>	<u><b>8</b></u>

### 19 RESERVES

	Revenue Reserve £'000	Revaluation Reserve £'000	Total £'000
At 1 April 2009	(540)	8,354	7,814
Surplus for year	102	-	102
Adjustment on revaluation	-	(866)	(866)
Actuarial losses taken to reserves	<u>(338)</u>	<u>-</u>	<u>(338)</u>
At 31 March 2010	<u><u>(776)</u></u>	<u><u>7,488</u></u>	<u><u>6,712</u></u>

### 20 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2010 (2009: £Nil).

# HEART OF ENGLAND HOUSING & CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

### 21 CAPITAL COMMITMENTS

	2010 £'000	2009 £'000
Capital Expenditure which has been contracted for but has not been provided for in the financial statements	-	150
Capital Expenditure which has been authorised under authority from the Board but has yet to be contracted for	-	-
	<u>-</u>	<u>150</u>

The commitments in the comparative year were financed from revenue

### 22 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £'000	2009 £'000
Operating Surplus	1,305	1,304
Depreciation	538	533
(Increase)/Decrease in Stocks	(2)	3
Difference between pension charge and paid	(27)	(4)
(Increase)/Decrease in Debtors	(1,026)	1,409
Increase/(Decrease) in Creditors	699	(22)
Net Cash Inflow from Operating Activities	<u>1,487</u>	<u>3,223</u>

### 23 ANALYSIS OF CHANGES IN NET DEBT

	At Beginning of the Year £'000	Cash Flows £'000	At End of the Year £'000
Cash at Bank and in Hand	686	(348)	338
Bank Overdraft	(192)	192	-
	<u>494</u>	<u>(156)</u>	<u>338</u>
Loans and monies due to OHE	<u>(18,064)</u>	<u>548</u>	<u>(17,516)</u>
	<u>(17,570)</u>	<u>392</u>	<u>(17,178)</u>