

**COTTAGE AND RURAL ENTERPRISES LIMITED
AND ITS SUBSIDIARY UNDERTAKINGS**

**CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2008**

**SOMERBYS LIMITED
CHARTERED ACCOUNTANTS
30 NELSON STREET
LEICESTER LE1 7BA**

COTTAGE AND RURAL ENTERPRISES LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

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REGISTERED IN ENGLAND NO: 889000

REGISTERED CHARITY NO: 250058

Patron	H.R.H. Princess Alexandra The Hon. Lady Angus Ogilvy, G.C.V.O.
Trustees (All of whom are directors of the company)	N.J. Townsend (B) (Chairman) E.A. Baliszewski (Deceased 20.02.08) Mrs M.D. Cruickshank (N&R) N. J. Doggett (R&A) (Appointed 31.07.07)
(Member of Audit Committee (A))	A.J. Granger (B&G)
(Member of Building and Assets Committee (B))	Mrs M. Lichfield (G&P)
(Member of Governance Committee (G))	Dr A.E.J. Moore (B&N)
(Member of Nominations Committee (N))	C.G. Packham (Hon. Treasurer) (A,B&R)
(Member of Pensions Committee (P))	P. Pinel (N)
(Member of Remuneration Committee (R))	J.M. Waite (A,G&P)
Secretary	P.M. Wallace
Executive Officers	P.M. Wallace (Chief Executive) Mrs L. Gilbert (Executive Director of HR & Training) G.N. Ledden (Executive Director of Finance and IT) (Resigned 25.06.08) G.S. Lockett (Executive Director of Fundraising) E. Whitehouse (Executive Director of Operations - North) P.O. Williams (Executive Director of Operations – South)
Registered Office	9 Weir Road Kibworth Leicestershire LE8 0LQ
Auditor	Somerbys Limited Chartered Accountants Registered Auditor 30 Nelson Street Leicester LE1 7BA
Bankers	Lloyds TSB Bank Plc 7 High Street Leicester LE1 9FS
Solicitors	Harvey Ingram LLP 20 New Walk Leicester LE1 6TX
Connected Charity	CARE Fund Registered Charity No: 261774 9 Weir Road Kibworth Leicester LE8 0LQ

**REPORT OF THE TRUSTEES
YEAR ENDED 31 MARCH 2008**

Reference and administrative details

Cottage and Rural Enterprises Ltd, known as CARE, is a registered Charity and a Company limited by guarantee. The liability of members is limited to £0.50 per member in the event of winding up. Its registered office is as shown on Page 1.

The Directors, who act as Trustees, are shown on Page 1. They are also members of the Company and members of the Management Committee of our connected Charity, CARE Fund and, except as noted, served throughout the year. Also shown on Page 1 are the names of the senior executive staff and principal external advisors.

C.G. Packham and J.M. Waite retire by rotation and are eligible for re-election.

N.J. Doggett was appointed to the Board of Trustees during the year and consequently retires and is eligible for re-election.

Sadly, we lost Edward Baliszewski who died at the early age of 55 in February 2008.

Structure governance and management

The governing document of the Charity is the Memorandum and Articles of Association incorporated in October 1966 and last amended on 29 October 2003.

The Board of Trustees (who are all non-executive) is responsible for the overall governance of the Charity. It is normal practice that, before election, Trustees will have served at least a 12-month period as an Associate Trustee. The number of Trustees may not exceed twelve. Trustees meet at least five times per year, and these meetings include four quarterly Board Meetings when Trustees review strategy and operational performance and set operating plans and budgets, and the AGM. Before one of the Board Meetings an Annual Symposium is held to which the Charity's Honorary Vice Presidents are invited in order to receive a review of recent events, together with an update of current operations of the Charity and future plans. Associate Trustees receive an induction pack containing information about charity management and effective decision making as well as details of CARE's services and copies of the Five Year Strategic Plan.

The Charity maintains a register of Trustees' declared interests; this is updated as necessary and re-confirmed annually. None of the Trustees has an interest in the shares of the subsidiary undertakings.

The Board delegates the exercise of certain powers in connection with the management and administration of the Charity as set out below. This is controlled by quarterly reporting back to the Board so that all decisions made under delegated powers can be ratified by the full Board.

Day to day operational management is the responsibility of the Executive Officers who are accountable to the Board and are lead by the newly appointed Chief Executive, Patrick Wallace.

Audit Committee

The Audit Committee comprises three Trustees under the Chairmanship of the Honorary Treasurer. The Chief Executive and the Executive Director of Finance attend all meetings. The Committee reviews and investigates any matter relating to the finances or financial and internal controls of the company. It reviews the effectiveness of the management information and other systems of financial control and reviews the annual financial statements prior to their approval by the Board. Meetings are held twice a year with the external auditor to review their report on the systems of internal control and other recommendations for improvements.

**REPORT OF THE TRUSTEES
YEAR ENDED 31 MARCH 2008**

Building and Assets Committee

This Committee consists of three Trustees and is also attended by the Chief Executive and the Executive Director of Finance. The purpose of the Committee is to maintain and maximise the utilisation of the property assets of the CARE Fund. The Committee oversees the register of properties, researches how current sites can best be used to meet the changing needs of the Charity and reviews the maintenance policy. It also vets all business cases that involve the refurbishment or use of land or buildings owned by the CARE Fund to ensure that the value of the assets is optimised. Finally it monitors the performance of contractors and consultants.

Governance Committee

The Governance Committee comprises three Trustees plus an externally co-opted member and is attended by the Chief Executive, the Executive Director of Finance and the Executive Director of HR and Training. The purpose of the Committee is to review, report and make recommendations on the governance principles, governing documents, structures and controls adopted and maintained by the organisation at all levels to ensure that they are at all times consistent with best practice and fit for purpose. Meetings are normally held quarterly.

Nominations Committee

This committee consists of three Trustees and is attended by the Chief Executive and the Executive Director of HR and Training. The committee reviews, reports and make recommendations on the recruitment and selection of Trustees ensuring a suitable balance and mix of skills and experience. It also reports on overall Board performance, the performance of individual trustees and the appraisal of the Chairman of the Board of Trustees. The committee appoints Executive Directors and ensures proper consideration of succession planning within the Senior Executive Team. Meetings are held at least twice a year.

Pensions Committee

The Charity operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in an independently administered fund. The scheme was closed to new entrants from 1 January 2004 but remained operative for existing members until 1 January 2005 when they, with the exception of those members within 5 years of their retirement and who chose to remain in the scheme, were transferred to a Group Personal Pension Plan. The scheme is currently being wound up and the assets distributed in accordance with the members wishes.

Trustees are appointed to look after the interests of all members and beneficiaries under the scheme. The scheme assets are under the control of the Trustees and are to be used to secure benefits for the members of the scheme and their dependants in accordance with the Trust Deed and Rules.

The Trustees of the scheme consist of two members of the Charity's Trustee Board, the Executive Director of Finance, the Executive Director of HR and Training and two member-nominated Trustees. They meet, together with their professional advisors, at least twice per year.

Remuneration Committee

The Remuneration Committee comprises three Trustees, including the Charity's Honorary Treasurer. The Chief Executive, the Executive Director of Finance and the Executive Director of HR and Training attend all meetings to advise and provide information to the Committee. Meetings are held at least bi-annually. Remuneration policy and practice is agreed and monitored by the Committee who have no personal interest in the outcome of discussions on individual remuneration. It considers and approves proposals put to the Committee for remuneration packages and contractual terms for the Charity as a whole but specifically determines those for the Chief Executive and other members of the Senior Executive Team. It also monitors and compares the Charity's remuneration packages against those of other providers in the social care field with a view to ensuring that these remain competitive.

**REPORT OF THE TRUSTEES
YEAR ENDED 31 MARCH 2008****Statement of Trustees' responsibilities and corporate governance**

The Trustees are responsible for this annual report and for the preparation of financial statements for each financial year which give a true and fair view of the incoming resources and application of those resources of the Charity and group during the year, and of the state of affairs as at the end of the financial year. In preparing these financial statements, the Trustees are required to:

- Ensure that suitable accounting policies are established and applied consistently;
- Make judgments and estimates which are reasonable and prudent;
- State whether the applicable accounting standards and statement of recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statement on a going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees have overall responsibility for ensuring that the Charity has appropriate systems and controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Charity and for their proper applications required by charity law, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- The Charity is operating efficiently and effectively;
- All assets are safeguarded against unauthorised use or disposition and are properly applied;
- Proper records are maintained and financial information used within the Charity, or for publication, is reliable;
- The Charity complies with relevant laws and regulations.

Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency. Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the Senior Executive Team and the Board of Trustees.

The systems of internal control are designed to provide reasonable but not absolute assurance against material mis-statement or loss. They include:

- A strategic plan and annual budget approved by the Trustees;
- Regular consideration by the Trustees of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews;
- Delegation of day-to-day management authority and segregation of duties; and
- Identification and management of risks.

Risk management

The Trustees have a formal risk management process to assess business and operational risks and implement risk management strategies. This has involved identifying the types of risks the Charity faces, prioritising them in terms of potential impact and likelihood of occurrence, identifying the means of mitigating the risks and those responsible for managing, monitoring and mitigation.

The Senior Executive Team review the likely risks facing the Charity at least twice a year. This updated report is subsequently considered by the full Board of Trustees and amended and ratified as appropriate.

**REPORT OF THE TRUSTEES
YEAR ENDED 31 MARCH 2008**

Objects and principal activities of the Charity

The object of the Charity is:

To provide, whether alone or in partnership with others, without discrimination as to religion, race, sex or sexual orientation, a range of services including care, support, accommodation, training and employment for people ("those to be helped"), who have a learning disability or associated disorder or who otherwise have difficulty in attaining independent living and employment without support and development opportunities.

Our principal activities to achieve this object are the provision of a range of residential homes, supported living accommodation, domiciliary and day support. As part of our day support we provide education, training and outside employment for those people who are able to take advantage of these provisions. We also provide age-related day support for people with learning disabilities who are over retirement age or are suffering from other disabilities including the early onset of dementia.

Our Mission Statement is:

Supporting people with a learning disability in maximising choice and realising potential

To achieve this we use Person Centred Planning (PCP) as the tool for establishing each service user's goals and ambitions. These plans are reviewed six monthly and updated as short term goals are achieved. Summaries of PCP's are used as the key driver for updating individual regional service plans.

Our own market intelligence and relationships with commissioners of services also enable us to develop our strategy and offer new services to achieve best value and take advantage of emerging opportunities.

Review of the year

A challenging financial environment is emerging as we see Local Authorities continue to set fee levels below inflation. Trends in social care are to find local solutions with out-of-county placements reducing. CARE has restructured into regions and expects to respond to an increased call for supported housing options, locally managed for local people.

In response to these challenges, in late July 2007 CARE adopted a new strategic direction. This will entail the relocation from our two most isolated sites in Devon and Leicestershire to new facilities in neighbouring market towns. Additionally the accommodation on our six other major sites and some of our group homes will be developed to offer more supported living opportunities for current and future residents. It is our intention that wherever possible service users should have their own tenancies and that all registered residential accommodation will in future include en-suite bathrooms as soon as these can be provided.

As part of this new strategy, new operational plans are being developed based on the identified needs of our service users, which specify the types of accommodation needed as well as identifying potential business partners, such as Housing Associations, who can help to deliver the new facilities. To support this move, two operations directors were appointed as well as eight regional managers in place of the locality managers.

The time line for this development is inevitably subject to the availability of land and appropriate funds. However, there is a keen desire to develop the new services as quickly as possible so that more appropriate services can be offered to service users and Local Authorities. We are conscious however of the implications of change for existing service users and have set up steering groups in Devon and Leicestershire with service users, friends, families, staff and local authorities all represented. These groups will ensure that the views of all parties are taken into consideration in the decision making process. Elsewhere in the country there is continuing dialogue with service users and their advocates.

REPORT OF THE TRUSTEES YEAR ENDED 31 MARCH 2008

As part of our strategy, we continue to develop domiciliary care businesses. This reflects the trend in local authority purchasing as they move to support more people living independently in their own homes. We are registered as a domiciliary care provider in many areas and are actively pursuing opportunities to expand this further. The service offers a greater range of choices for service users and better positions CARE in the fastest growing area of the social care 'market place'.

To augment this strategy, we are starting the search to refresh the Board of Trustees through the newly formed Nominations Committee.

The café at Ponteland continues to increase its business, aided by the opening of its new gardens, which were funded by significant donations. The gardens which are wheelchair accessible and also feature a maze were opened in late January by a service user and Peter Beardsley, the former England International footballer. The gardens and café offer supported employment opportunities for service users and it is hoped that they will become a significant local attraction.

In September 2007, we were given the opportunity of running a large café in a Blackburn park. This is already generating significant income and providing supported employment opportunities for service users. It is anticipated that the summer months will see a considerable upsurge in demand.

Progress against objectives 2007/08

Plans are monitored and updated by each locality and function to identify targets, timescales and how best to deliver on the following national strategic objectives. The progress made is detailed for each objective:

- **To deliver high quality services responsive to the needs of service users and commissioners complying with statutory requirements.** Our programme to develop PCPs for all service users has enabled the continued provision of relevant services to service users. Additionally our national Commission for Social Care Inspection (CSCI) relationship manager has reported that the quantitative measure of CARE's services over the period April 2006 to June 2007 was some 7% above the national average for care homes and 10% above the national average for domiciliary care agencies.
- **To develop detailed business plans for the modernisation and redevelopment of all major services.** As reported above, a new strategic plan was adopted in July 2007 and operational plans are being developed to implement this. This plan should see the fundamental modernisation of all services.
- **To ensure that all existing and future services are financially viable and sustainable in the long term.** During the year average fee increases of 2.9% were negotiated. We continue to work with the commissioners of service to ensure that the fees received reflect the true cost of the services provided. All new tenders and services continue to be subject to detailed financial appraisal to ensure that they are viable and sustainable.
- **To recruit, improve and develop a well trained, motivated and informed workforce.** We continue to keep staff turnover rates below the national average with an overall rate of 13%. During the year a new grading structure was introduced, which further improves the remuneration package offered to staff and which details a more transparent and coherent salary progression. Our training and supervision scheme continues to address staff training needs ensuring the development of a well trained and motivated workforce.
- **To continue to raise the awareness and profile of CARE with stakeholders.** During the year the development of our new strategy meant that we were drawn into closer discussions with all stakeholders as our plans were developed. The Family Forums continue to provide a valuable link with families. Steering groups for the new strategy in both Devon and Leicestershire were formed with representatives from all stakeholders.

REPORT OF THE TRUSTEES YEAR ENDED 31 MARCH 2008

- **To improve internal and external communications and to develop CARE as a learning organisation.** In each region staff representatives continue to be a major part in our two way communication with staff. They are briefed by senior management on proposals regarding pay terms and conditions and then feed back responses from the staff so that plans can be modified accordingly. External communication has improved with senior managers playing an increasing role in the community, promoting CARE and its services.
- **To improve recognition of CARE amongst social care commissioners, funders and the public.** Meetings are held at the highest level with commissioners and funders to ensure that they are aware of the widening range of CARE's services. Our supported employment work enables service users to become involved in the community, which increases public awareness of CARE's work. Additionally a national manager has been appointed with specific responsibility for communications. It is anticipated that a new brand for CARE will be launched in late 2008 which should increase the organisations public profile.
- **To extend the involvement of service users in all aspects of CARE.** We continue to develop ways in which service users can become more involved in CARE and during the year a number have joined the steering groups in Devon and Leicestershire to represent the views of their fellow service users in relation to the relocation of services. Service users play an important function in the running of their services and are involved in many areas such as gardens, kitchens and administration. A service user sits on all recruitment panels in the Communities.
- **To commission or participate in research which informs practice, raises the profile of CARE or provides quantifiable strategic benefits.** With the conclusion of the dementia project with Edinburgh University, the emphasis is now directed towards raising the profile and service delivery issues.
- **To structure the organisation to meet the changing needs and expectations of service users and their support workers.** The new strategy approved in July 2007 will fully meet the changing needs of service users and staff, ensuring that modern facilities and relevant services are available in a sustainable framework.

Human resources and training

Employees

A policy of equal opportunities and non-discrimination is operated for all employees. The Charity provides employees with information about the organisation and ensures their suggestions and views are taken into account.

Every possible consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Charity would continue the employment wherever possible of any person who became disabled during their employment. Opportunities for training, career development and promotion would not operate to the detriment of disabled employees.

Staff recruitment

The increasing drive for care workers, supervisors and managers to attain the various competency levels of professional qualifications required by CSCI means that they expect to be remunerated accordingly. Unfortunately, there is no requirement for local authorities to accept the increase in fees which is needed to meet the cost of this and therefore CARE has adopted a more transparent approach to recruitment and retention which has enabled the maintenance of excellent standards of care and provision of a quality service through a highly motivated, stable and dedicated workforce.

**REPORT OF THE TRUSTEES
YEAR ENDED 31 MARCH 2008**

Staff retention

The average turnover across the UK for the social care sector is 14%. Three years ago turnover levels for support workers in CARE peaked at 28%, however this year the number of leavers has reduced to 13%. This is due to the continuous development of our remuneration package and our investment in training.

Market sector pay awards

As part of our remuneration initiatives CARE conducted an in-depth market analysis of all job types within Social Care. The findings confirmed the need to keep our minimum starting points competitive, while in general our pay and rewards packages were actually running at the market sector average. This information together with the job evaluation scheme has allowed more effective targeting of remuneration and rewards.

Investors in People

As part of CARE's ongoing commitment to staff with regards to training and development, a full audit has been undertaken to retain the Investors in People accreditation. This has been fully achieved and CARE retains the award until 2011. The next stage for CARE is to embark on the Matrix Award accredited by Investors in People which is the next level of development for the Training and Development Strategy.

Staff Satisfaction Surveys

As part of CARE's commitment to staff to consult and communicate strategic and organisational change, a full staff survey has been undertaken. Initial results would suggest that staff feel that organisational change and development is required to take the organisation forward. Staff feel that they are trained well and have the appropriate tools with which to undertake their duties. Staff identified that they receive regular updates on organisational change and that they have the opportunity to discuss issues and raise concerns with their line manager. Staff also highlighted the need to be treated fairly and equally and this is reflected as a positive and important part of the work environment.

Research – stakeholder surveys

Stakeholder satisfaction surveys are distributed biennially. The intervening year is used to analyse the findings and achieve the objectives set from the information drawn from the surveys. Previous stakeholder surveys were distributed in July 2006.

Three major stakeholder satisfaction surveys will be completed this year, with service users, families and friends and with the range of professionals who support placements. This year the chosen professionals will be GPs and Care Managers.

Historically these questionnaires have provided valuable feedback on how well CARE meets the needs of these various groups, looking at levels of satisfaction, frustration, anxiety and dissatisfaction. However, it has been identified that previously the feedback gathered has not been utilised effectively. It is, therefore, the combined objective of Operations and Quality to analyse the information obtained and set action plans for each service, based on this information.

Quality AssuranceQuality Standard

In January 2008 CARE committed to the Investors in Excellence Standard. This is an external standard which covers all areas of business activities and performance – Leadership, People, Policy & Strategy, Partnership & Resources and Processes. It facilitates continual change and is very results driven. The timescale to achieve this standard is approximately 18 months to 2 years.

**REPORT OF THE TRUSTEES
YEAR ENDED 31 MARCH 2008**

Review of CARE's Policies and Procedures

As part of recent improvements to quality processes, and CSCI guidelines, a new annual review of all CARE's policies and procedures was implemented in October 2007. This entails a rolling quarterly, company wide, review of all policies and procedures and includes input from staff and service users. As a result, all policies and procedures will be reviewed and updated where necessary within the year. All documentation relating to the Policy and Procedure review is posted on the company's intranet thereby enabling all staff access to the latest versions.

The same process will be implemented later in 2008 for the Policies and Procedures for Domiciliary Care.

Financial review and results for the year

The Group surplus for the year ended 31 March 2008 amounted to £1,273k (2007 - £59k) on total income of £17.7m (2007 - £15.9m). However that surplus includes one off legacies of £1,364k (2007 - Nil) and grants for capital expenditure of £34k (2007 - £193k), neither of which constitute income from our direct operations; thus our operating deficit for the year was £125k (2007 - £134k).

In spite of the challenging environment in which we operate, the level of resident vacancies was relatively stable during the year and this contributed to the overall out turn for our residential services. In response to the shifting emphasis towards independent living, we continued developing our domiciliary care service and also our move towards more specialist residential care on some of our sites. Our connected charity, CARE Fund, has continued to charge rent for the homes that it provides at a concessionary level, which is a great advantage to purchasers.

At the year end the group's unrestricted retained funds were over £2.9m, which represents a reasonable balance to enable the continuing investment in its services.

During the year, average fees increased by 2.9%. Although we were able to make progress towards full cost recovery for some service users, fees are still well below the desired level in many areas particularly those involving our longer term residents. Discussions continue with commissioners to ensure that in 2008/09 further progress is made towards reducing the shortfalls in these areas.

As a result of the increase in fee levels, we have continued to improve our remuneration package for staff thereby enabling the recruitment and retention of good quality staff. We anticipate continuing this policy, which should enable a reduction in the reliance on expensive agency staff.

Investment policy

The Trustees' policy is to maximise income and to maintain capital value within a low risk environment. Under the Memorandum and Articles of Association, the Charity has the power to make any investments which the Trustees shall direct.

Reserves policy

Free reserves available for use by the Charity are deemed to be those that are readily realisable, less funds whose uses are restricted or designated for particular purposes. It is the policy of the Charity to maintain these free reserves at a level which provides sufficient funds to meet ongoing operating expenditure. At present, the free reserves equate to approximately 1.5 months of such expenditure. Due to the potential costs of implementing the new strategy, the aim of the Trustees is to increase the reserves to 3 months expenditure in the coming years.

**REPORT OF THE TRUSTEES
YEAR ENDED 31 MARCH 2008**

Future plans and objectives

Annual operating plans have been developed by each locality and function identifying targets, timescales and how best to deliver on the following national strategic objectives:

- To deliver high quality services responsive to the needs of service users and commissioners complying with statutory requirements.
- To develop and keep under review detailed business plans for the modernisation and redevelopment of all major services
- To ensure that all existing and future services are financially viable and sustainable in the long term.
- To recruit, improve and develop a well trained, motivated and informed workforce.
- To continue to raise the awareness and profile of CARE with stakeholders.
- To improve internal and external communications and to develop CARE as a learning organisation.
- To improve recognition of CARE amongst social care commissioners, funders and the public.
- To extend the involvement of service users in all aspects of CARE.
- To structure the organisation to meet the changing needs and expectations of service users and their support workers

Statement of disclosure of information to auditors

We, the Directors of the Company who held office at the date of approval of these Financial Statements, as set out above, each confirm so far as we are aware, that:

- there is no relevant audit information of which the Company's auditor is unaware; and
- we have taken all the steps that we ought to have taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Somerbys Limited, has indicated its willingness to continue in office.

By Order of the Board

3 July 2008

N.J. Townsend
CHAIRMAN

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
YEAR ENDED 31 MARCH 2008**

We have audited the financial statements of Cottage and Rural Enterprises Limited for the year ended 31 March 2008 which comprise the Statement of Financial Activities, the Balance Sheets, 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 Charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Charity'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 Charity and the Charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As described in the Statement of Trustees' Responsibilities the Trustees (who are also the directors of Cottage and Rural Enterprises Limited for the purposes of company law) are responsible for the preparation of the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Trustees is consistent with the financial statements. In addition we report to you if, in our opinion, the Charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and other transactions is not disclosed.

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Charitable Company and of the group as at 31 March 2008, and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended;
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Trustees is consistent with the financial statements.

SOMERBYS LIMITED
Chartered Accountants
Registered Auditor
30 Nelson Street
LEICESTER LE1 7BA

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(Including Income and Expenditure Account)
YEAR ENDED 31 MARCH 2008

	<u>Note</u>	Unrestricted <u>Funds</u>	Restricted <u>Funds</u>	Total <u>2008</u>	Total <u>2007</u>
Incoming resources					
Incoming resources from generated funds					
Voluntary Income					
Donations		413,557	950,000	1,363,557	435
Activities for Generating Funds	2	337,722	66,366	404,088	1,064,034
Investment Income					
Bank Interest		94,689	11,668	106,357	73,935
Incoming resources from charitable activities					
Residential and Day Care Services		14,421,732	-	14,421,732	13,408,579
Domiciliary and Supported Housing Services		1,222,513	-	1,222,513	1,006,090
Grants and other		29,698	161,085	190,783	298,016
		-----	-----	-----	-----
Total incoming resources		16,519,911	1,189,119	17,709,030	15,851,089
		-----	-----	-----	-----
Resources expended					
Cost of generating funds		221,622	61,381	283,003	974,471
Charitable Activities					
Residential and Day Care Services		14,507,418	-	14,507,418	13,706,754
Domiciliary and Supported Housing Services		1,259,181	-	1,259,181	966,027
Grants and Other		210,525	127,735	338,260	97,985
Governance Costs		48,578	-	48,578	46,636
		-----	-----	-----	-----
Total resources expended	3	16,247,324	189,116	16,436,440	15,791,873
		-----	-----	-----	-----
Net incoming resources before transfers		272,587	1,000,003	1,272,590	59,216
Transfer from Restricted funds to Unrestricted funds	4	47,097	(47,097)	-	-
		-----	-----	-----	-----
Net incoming resources	5	319,684	952,906	1,272,590	59,216
		-----	-----	-----	-----
Reconciliation of Funds					
Fund balances brought forward		2,660,120	190,108	2,850,228	2,791,012
		-----	-----	-----	-----
Fund balances carried forward		£2,979,804	£1,143,014	£4,122,818	£2,850,228
		-----	-----	-----	-----

**CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2008**

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Fixed assets			
Tangible assets	6	840,298	949,071
Investments	7	33,600	-
		-----	-----
		873,898	949,071
Current assets			
Stocks	8	64,079	72,529
Debtors	9	2,066,901	2,072,701
Cash at bank and in hand		2,728,002	1,599,169
		-----	-----
Total current assets		4,858,982	3,744,399
		-----	-----
Creditors: amounts falling due within one year	10	1,488,296	1,684,382
		-----	-----
Net current assets		3,370,686	2,060,017
		-----	-----
Total assets less current liabilities		4,244,584	3,009,088
		-----	-----
Provision for liabilities and charges	11	121,766	158,860
		-----	-----
Net assets		£4,122,818	£2,850,228
		=====	=====
Income funds			
Restricted funds	12	1,143,014	190,108
Unrestricted funds		2,979,804	2,660,120
		-----	-----
	13	£4,122,818	£2,850,228
		=====	=====

C.G. PACKHAM - DIRECTOR & HONORARY TREASURER

These financial statements were approved by the Board on 3 July 2008.

**BALANCE SHEET
AT 31 MARCH 2008**

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Fixed assets			
Tangible assets	6	840,298	948,703
Investments	7	43,702	10,102
		-----	-----
		884,000	958,805
Current assets			
Stocks	8	37,236	37,091
Debtors	9	2,060,109	1,952,379
Cash at bank and in hand		2,597,532	1,544,205
		-----	-----
Total current assets		4,694,877	3,533,675
		-----	-----
Creditors: amounts falling due within one year	10	1,334,293	1,483,392
		-----	-----
Net current assets		3,360,584	2,050,283
		-----	-----
Total assets less current liabilities		4,244,584	3,009,088
Provision for liabilities and charges	11	121,766	158,860
		-----	-----
Net assets		£4,122,818	£2,850,228
		=====	=====
Income funds			
Restricted funds	12	1,143,014	190,108
Unrestricted funds		2,979,804	2,660,120
		-----	-----
	13	£4,122,818	£2,850,228
		=====	=====

C.G. PACKHAM - DIRECTOR & HONORARY TREASURER

These financial statements were approved by the Board on 3 July 2008.

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Net cash inflow from operating activities	a	1,250,238	313,651
Returns on investments and servicing of finance	b	106,357	73,935
Capital expenditure	b	(227,762)	(499,457)
		-----	-----
Increase/(decrease) in cash	c	£1,128,833	(£111,871)
		=====	=====

Notes to the consolidated cash flow statement

a) Reconciliation of net incoming resources to net cash inflow from operating activities

Net incoming resources	1,272,590	59,216
Less donated shares	(33,600)	-
Investment income	(106,357)	(73,935)
Depreciation charges	339,437	342,794
Profit on sale of tangible fixed assets	(2,902)	(1,204)
Decrease/(increase) in stocks	8,450	(6,634)
Decrease/(increase) in debtors	5,800	(142,980)
Increase/(decrease) in creditors	(196,086)	143,609
Decrease in provisions for liabilities and charges	(37,094)	(7,215)
	-----	-----
Net cash inflow from operating activities	£1,250,238	£313,651
	=====	=====

b) Gross cash flows

Return on investments and servicing of finances:-

Interest received	£106,357	£73,935
	=====	=====

Capital expenditure:-

Acquisition of tangible fixed assets	(254,560)	(517,180)
Receipts from sales of tangible fixed assets	26,798	17,723
	-----	-----
	(£227,762)	(£499,457)
	=====	=====

c) Reconciliation of net cash flow to movement in net fund

Increase/(decrease) in cash in the year	1,128,833	(111,871)
Net funds at 1 April 2007	1,599,169	1,711,040
	-----	-----
Net funds at 31 March 2008	£2,728,002	£1,599,169
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2008**

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, in accordance with all applicable accounting standards and the Statement of Recommended Practice "Accounting and reporting by Charities" (SORP 2005).

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year:-

1.1 Basis of consolidation

The consolidated financial statements include the accounts of Cottage and Rural Enterprises Limited and the accounts of its subsidiary undertakings made up to 31 March 2008.

No income and expenditure account is presented for Cottage and Rural Enterprises Limited as provided by section 230 of the Companies Act 1985. The surplus for the year dealt with in the accounts of that company was £1,272,590 (2007- £59,216).

1.2 Compliance with the Companies Act 1985

There may be occasions when the Statement of Recommended Practice is at variance with the disclosure requirements of the Companies Act 1985. The directors consider that on such occasions, departing from compliance with the Companies Act 1985, and complying with the Statement of Recommended Practice, is more meaningful for the charity.

1.3 Voluntary income

Donated income from the trading subsidiaries is included in these accounts as it falls due. Other donations are included when received at the registered office.

1.4 Depreciation of tangible fixed assets

Individual fixed assets costing £1,000 or more are capitalised at cost. Depreciation has been computed to write off the cost of tangible fixed assets by annual instalments over their expected useful lives using the following rates:-

Plant and equipment	15% of cost per annum
Fixtures and fittings	15% of cost per annum
Vehicles and computer equipment	25% of cost per annum

1.5 Grants

Grants received are treated as income when the charitable group is entitled to receipt and the amount can be measured with reasonable certainty.

1.6 Taxation

The company is a registered charity and thus is exempt from taxation on its income and capital gains.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2008**

1. Accounting policies (continued)

1.7 Value added tax

The group's activities are partially exempt from VAT.

1.8 Resources expended

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive on any VAT which cannot be recovered.

1.9 Pension contributions

The company operates three defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension charge represents contributions payable by the company to the schemes. The company and the group have no potential further liability in respect of pensions.

1.10 Investments

Investments are stated at market value.

1.11 Stocks

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

1.12 Provision for repairs

In accordance with the terms under which the company occupies freehold land and buildings owned by CARE Fund, there is a requirement to maintain the properties in good condition at all times. Provision is made for the estimated cost of repairs necessary in order to comply with this obligation.

1.13 Fund accounting

Unrestricted funds are those that are available for use, at the discretion of the trustees, in furtherance of the general objectives of the charity.

Restricted funds are those that are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

2. Incoming Resources from Activities for Generating Funds

	<u>2008</u>	<u>2007</u>
Merchandising	337,722	256,976
Income from trading subsidiary- Shireplot Limited	-	753,628
Amenity	66,366	53,430
	<u>£404,088</u>	<u>£1,064,034</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2008

2. **Incoming Resources from Activities for Generating Funds (continued)**

The charity has two wholly owned trading subsidiaries which are incorporated in England. Care Community Sales Limited markets Christmas cards and products originating in community workshops, together with other services provided by its service users. Shireplot Limited controls and manages new building works on behalf of CARE Fund. All activities have been consolidated on a line by line basis in the Statement of Financial Activities. Both companies donate their taxable profits under Gift Aid to Cottage and Rural Enterprises Limited. A summary of their trading results follows. Audited accounts have been filed with the Registrar of Companies.

	<u>Care Community Sales Limited</u>	<u>Shireplot Limited</u>	<u>Total</u>
Turnover	337,722	-	337,722
Cost of sales	205,969	-	205,969
	-----	-----	-----
Gross profit	131,753	-	131,753
Distribution costs	12		12
Administration expenses (excluding group management charges)	4,324	40	4,364
Profit on disposal of fixed assets	(5,590)	-	(5,590)
	-----	-----	-----
Operating profit	133,007	(40)	132,967
Donations and grants	279	-	279
Interest received	1,011	162	1,173
	-----	-----	-----
Net profit	£134,297	£122	£134,419
	=====	=====	=====
Total Assets	£178,345	£120,997	£299,342
Total Liabilities	£178,245	£110,995	£289,240
	-----	-----	-----
Income Funds	£100	£10,002	£10,102
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2008

3. Analysis of total resources expended

	<u>Staff</u> <u>Costs</u>	<u>Agency</u> <u>Staff</u> <u>Costs</u>	<u>Depreciation</u>	<u>Other</u> <u>Costs</u>	<u>Total</u> <u>2008</u>
Costs of Generating Funds					
Fundraising trading	-	-	-	204,715	204,715
Amenity expenditure	-	-	-	61,381	61,381
Shireplot Limited	-	-	-	40	40
Advertising and publicity	-	-	-	16,867	16,867
Charitable Activities					
Residential and day care services	10,131,697	587,289	330,388	3,458,044	14,507,418
Domiciliary and supported housing	1,102,685	2,947	9,048	144,501	1,259,181
Grants – Care Fund	-	-	-	200,000	200,000
Other	11,688	-	-	126,572	138,260
Governance Costs					
Audit fees	-	-	-	12,747	12,747
Trustee expenses	-	-	-	13,976	13,976
Administration costs	21,855	-	-	-	21,855
	<u>£11,267,925</u>	<u>£590,236</u>	<u>£339,436</u>	<u>£4,238,843</u>	<u>£16,436,440</u>

Support Costs

The following support costs included in the above figures, have been allocated according to estimated time spent.

	<u>Staff</u> <u>Costs</u>	<u>Agency</u> <u>Staff</u> <u>Costs</u>	<u>Depreciation</u>	<u>Other</u> <u>Costs</u>	<u>Total</u> <u>2008</u>
Residential and day care services	885,871	-	48,910	382,124	1,316,905
Domiciliary and supported housing	73,491	-	4,058	31,700	109,249
Governance costs	21,855	-	-	-	21,855
	<u>£981,217</u>	<u>£ -</u>	<u>£52,968</u>	<u>£413,824</u>	<u>£1,448,009</u>

Staff costs

	<u>2008</u>	<u>2007</u>
Salaries	10,165,990	9,437,807
Social security costs	851,148	801,349
Pension costs	163,789	163,692
Other related costs	86,998	82,174
	<u>£11,267,925</u>	<u>£10,485,022</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2008

3. **Analysis of total resources expended (continued)**

No director received any remuneration. Two members of staff had total emoluments of between £60,000 and £70,000, two members of staff had total emoluments between £70,000 and £80,000 and one member of staff had total emoluments between £90,000 and £100,000.

Average number of employees

		<u>2008</u>	<u>2007</u>
Staff in Residential and Day Services	- Full time	357	354
	- Part time	275	276
Staff in Domiciliary and Supported Housing Services	- Full time	33	29
	- Part time	34	20
Grants and other	- Part time	-	2
Management and support staff	- Full time	22	22
	- Part time	11	12
		-----	-----
		<u>732</u>	<u>715</u>

Included in the part time staff at Communities are 94 bank staff (2007 - 90). These staff are temporary employees who work as and when required. The full time equivalent number of permanent staff was 525 (2007 - 522).

Other costs		<u>2008</u>	<u>2007</u>
		£	£
Included within other costs are the following:-			
Operating leases	- Land and buildings	191,908	187,544
	- Other	234,031	215,296
Auditor's remuneration	- Audit fees	12,747	14,049
Reimbursement to 9 (2007 - 7) Trustees for travelling and subsistence costs		<u>5,252</u>	<u>3,487</u>

4. **Transfer between funds**

Grants were received during the year amounting to £34,496 to purchase new capital equipment, which has now been spent.

In addition there was a reallocation of expenditure relating to the Community Fund of £12,601.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2008

5. **Changes in resources available for charity use**

	<u>Unrestricted</u> <u>Funds</u>	<u>Restricted</u> <u>Funds</u>	<u>Total</u> <u>Funds</u>
Net incoming resources for the year	319,684	952,906	1,272,590
Net decrease in tangible fixed assets for:-			
Direct charitable purposes	87,048	-	87,048
Other purposes	21,725	-	21,725
Net movement in funds available for future activities	<u>£428,457</u>	<u>£952,906</u>	<u>£1,381,363</u>

6. **Tangible fixed assets**

<u>The group</u>	<u>Plant,</u> <u>equipment</u> <u>and</u> <u>vehicles</u>	<u>Fixtures</u> <u>and</u> <u>fittings</u>	<u>Total</u>
Cost			
At 1 April 2007	755,270	1,770,191	2,525,461
Additions and acquisitions	88,459	166,101	254,560
Disposals and eliminations	(176,657)	(171,503)	(348,160)
At 31 March 2008	<u>667,072</u>	<u>1,764,789</u>	<u>2,431,861</u>
Depreciation			
At 1 April 2007	500,424	1,075,966	1,576,390
Provided in the year	100,035	239,402	339,437
On disposals and eliminations	(154,033)	(170,231)	(324,264)
At 31 March 2008	<u>446,426</u>	<u>1,145,137</u>	<u>1,591,563</u>
Net book amount			
At 31 March 2008	<u>£220,646</u>	<u>£619,652</u>	<u>£840,298</u>
At 31 March 2007	<u>£254,846</u>	<u>£694,225</u>	<u>£949,071</u>
The net book amount at 31 March 2008 represents fixed assets used for:-			
Direct charitable purposes	168,676	577,977	746,653
Management and administration of the charity	51,970	41,675	93,645
	<u>£220,646</u>	<u>£619,652</u>	<u>£840,298</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2008

6. Tangible fixed assets (continued)

<u>The company</u>	<u>Plant equipment and vehicles</u>	<u>Fixtures and fittings</u>	<u>Total</u>
Cost			
At 1 April 2007	754,109	1,770,191	2,524,300
Additions and acquisitions	88,459	166,101	254,560
Disposals and eliminations	(175,496)	(171,503)	(346,999)
	-----	-----	-----
At 31 March 2008	667,072	1,764,789	2,431,861
	-----	-----	-----
Depreciation			
At 1 April 2007	499,631	1,075,966	1,575,597
Provided in the year	100,035	239,402	339,437
On disposals and eliminations	(153,240)	(170,231)	(323,471)
	-----	-----	-----
At 31 March 2008	446,426	1,145,137	1,591,563
	-----	-----	-----
Net book amount			
At 31 March 2008	£220,646	£619,652	£840,298
	=====	=====	=====
At 31 March 2007	£254,478	£694,225	£948,703
	=====	=====	=====
The net book amount at 31 March 2008 represents fixed assets used for:-			
Direct charitable purposes	168,676	577,977	746,653
Management and administration of the charity	51,970	41,675	93,645
	-----	-----	-----
	£220,646	£619,652	£840,298
	=====	=====	=====

7. Fixed asset investments

	<u>The Company</u>	<u>The Group</u>
<u>Shares in Subsidiary undertakings</u>	10,102	-
Market value, and historical cost at 1 April 2007 and at 31 March 2008		
<u>Shares held in Your Space plc (listed on AIM)</u>	33,600	33,600
Market value at 31 March 2008 (35,000 shares at £0.96 per share)	-----	-----
	£43,702	£33,600
	=====	=====

The agreement under which the shares in Your Space plc were received contained a clause prohibiting the disposal of the shares within the first three years after the commencement of the agreement (31/03/08) and prohibiting the disposal of more than a third of the shares in each of the three years following this period. This does not apply to a disposal pursuant to the acceptance of a general offer made to the shareholders of the company.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2008

Shares in subsidiary undertakings

	<u>Country of incorporation</u>	<u>Class of shares</u>	<u>Proportion held</u>	<u>Nature of business</u>
Care Community Sales Limited Company number 1032525	England	Ordinary £1	100%	Product marketing
Shireplot Limited Company number 2671792	England	Ordinary £1	100%	Building management

8. Stocks

	<u>The group</u>		<u>The company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Raw materials and consumables	42,969	43,324	37,236	37,091
Work in progress	4,121	3,063	-	-
Finished goods and goods for resale	16,989	26,142	-	-
	-----	-----	-----	-----
	<u>£64,079</u>	<u>£72,529</u>	<u>£37,236</u>	<u>£37,091</u>

9. Debtors

Trade debtors	772,221	935,934	638,964	742,082
Amounts due from subsidiary undertakings	-	-	129,465	73,778
Amount receivable from CARE Fund	795,645	873,970	795,645	873,970
Other debtors	210,425	7,249	207,425	7,001
Prepayments	288,610	255,548	288,610	255,548
	-----	-----	-----	-----
	<u>£2,066,901</u>	<u>£2,072,701</u>	<u>£2,060,109</u>	<u>£1,952,379</u>

The amounts due from subsidiary undertakings are unsecured, interest free and have no specific repayment terms. The balance represents the current trading accounts after including £84,419 (2007 - £84,014) due under the Gift Aid provisions.

10. Creditors: amounts falling due within one year

	<u>The group</u>		<u>The company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Trade creditors	564,546	577,423	437,732	396,731
Social security and other taxes	292,587	269,018	269,287	253,471
Other creditors	278,911	271,813	275,047	269,152
Accruals	352,252	566,128	352,227	564,038
	-----	-----	-----	-----
	<u>£1,488,296</u>	<u>£1,684,382</u>	<u>£1,334,293</u>	<u>£1,483,392</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2008

11. Provision for liabilities and charges
The group and the company

Movements during the year were as follows:-

	<u>Balance at</u> <u>1 April</u> <u>2007</u>	<u>Provision in</u> <u>the year</u>	<u>Expenditure</u> <u>during</u> <u>the year</u>	<u>Balance at</u> <u>31 March</u> <u>2008</u>
Repairs provision	£158,860	£ -	£37,094	£121,766
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

12. Restricted funds
The group and the company

The income funds include restricted funds comprising the following unexpended balances of grants and donations to be applied for specific purposes:-

	<u>Balance</u> <u>1 April 07</u>	<u>Income</u>	<u>Expenditure</u>	<u>Balance</u> <u>31 March 08</u>
Capital grants from CARE Fund	-	30,563	30,563	-
Other capital grants	157	3,933	3,933	157
	-----	-----	-----	-----
	157	34,496	34,496	157
Other grants from CARE Fund	494	122,942	123,436	-
Community fund for research projects	17,272	-	12,601	4,671
Other grants and donations	21,117	965,315	4,299	982,133
Amenity funds	151,068	66,366	61,381	156,053
	-----	-----	-----	-----
	£190,108	£1,189,119	£236,213	£1,143,014
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

13. Analysis of group net assets between funds

	<u>Unrestricted</u> <u>Funds</u>	<u>Restricted</u> <u>Funds</u>	<u>Total</u> <u>Funds</u>
Fund balances at 31 March 2008 are represented by:-			
Fixed assets	873,898	-	873,898
Current assets	3,715,968	1,143,014	4,858,982
Current liabilities	(1,488,296)	-	(1,488,296)
Provisions	(121,766)	-	(121,766)
	-----	-----	-----
Total net assets	£2,979,804	£1,143,014	£4,122,818
	<u>=====</u>	<u>=====</u>	<u>=====</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2008

14. Capital commitments

The group and the company

Commitments for capital expenditure at the end of the year were as follows:-

	<u>2008</u>	<u>2007</u>
Authorised and contracted for	£16,049	£13,933
Authorised but not yet contracted for	£77,823	£25,801

15. Leasing commitments

The group and the company

At 31 March 2008 the company had commitments falling due within one year under non-cancellable operating leases as detailed below:-

	<u>2008</u>		<u>2007</u>	
	<u>Land and</u> <u>Buildings</u>	<u>Other</u>	<u>Land and</u> <u>Buildings</u>	<u>Other</u>
Operating leases which expire:-				
Within one year	49,425	11,046	30,844	9,738
Within two to five years	18,000	175,667	26,100	206,198
After more than five years	118,626	25,295	129,096	6,881
	-----	-----	-----	-----
	£186,051	£212,008	£186,040	£222,817
	=====	=====	=====	=====

16. Pension costs

The company maintains a group personal pension plan into which contributions made by the company amounted to £150,759 during the year (2007 £156,886).

In addition, during the year, the company operated a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered scheme. This scheme had been closed to new entrants from 1 January 2004 although it remained operative for existing members until 31 December 2004 when they were transferred to the group personal pension plan. The only exception to this was that those members who were within 5 years of their normal retirement were able to remain in the scheme if they wished. Following a notification from the company, the pension fund commenced winding up on 12 February 2008. Contributions paid into the defined contribution scheme during the year amounted to £4,409 (2007 - £7,751).

Furthermore, following the acquisition of Waltair Trust in 2004 the company made contributions totalling £3,158 to a small group personal pension plan and an individual pension plan on behalf of former Waltair Trust employees.

The company also made contributions towards the private pension of one employee totalling £5,463.