East Midlands Housing Group Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2022

EAST MIDLANDS HOUSING GROUP LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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BOARD MEMBERS

David Russell *(Group Chair)*
Jim Holden *(Group Vice Chair)*
Chan Kataria
Christopher Hobson
Vandna Gohil
Patricia McCabe
Tim Brown
Amanda Ashton
Gail Puttock

EXECUTIVE DIRECTORS

Chan Kataria
Group Chief Executive

Geoff Clarke
Executive Director – Finance

Jo Tilley
Executive Director – Corporate Services

Chris Jones
Executive Director- Development

Chris Ashton
Executive Director – Housing

Jo Grainger
Executive Director – Care & Support
(left September 2021)

Ruth Jennings
Executive Director – Care & Support
(From January 2022)

PRINCIPAL BANKER

Barclays Bank Plc
Leicester
Leicestershire
LE87 2BB

AUDITOR

KPMG LLP
One Snow Hill
Queensway
Birmingham
B4 6GH

SECRETARY & REGISTERED HEAD OFFICE

Joanne Tilley
Memorial House
Whitwick Business Park
Stenson Road
Coalville
Leicestershire
LE67 4JP

EAST MIDLANDS HOUSING GROUP LIMITED
YEAR AT A GLANCE

FOR THE YEAR ENDED 31 MARCH 2022

[1] Definition taken from "Sector Scorecard". Expenditure on development of new properties, capitalised interest and capitalised major repairs divided by total housing properties at cost.

[2] Operating surplus less interest, financing costs and taxation and before pension scheme movement per Statement of Comprehensive Income.

[3] (Operating surplus less surplus on disposal of tangible fixed assets) divided by turnover.

[4] Definition taken from "Sector Scorecard". Social housing costs divided by closing social housing units in management

The Board of East Midlands Housing Group Limited is pleased to present its financial statements for the year ended 31 March 2022. The Group comprises the parent company and wholly owned subsidiaries as set out below.

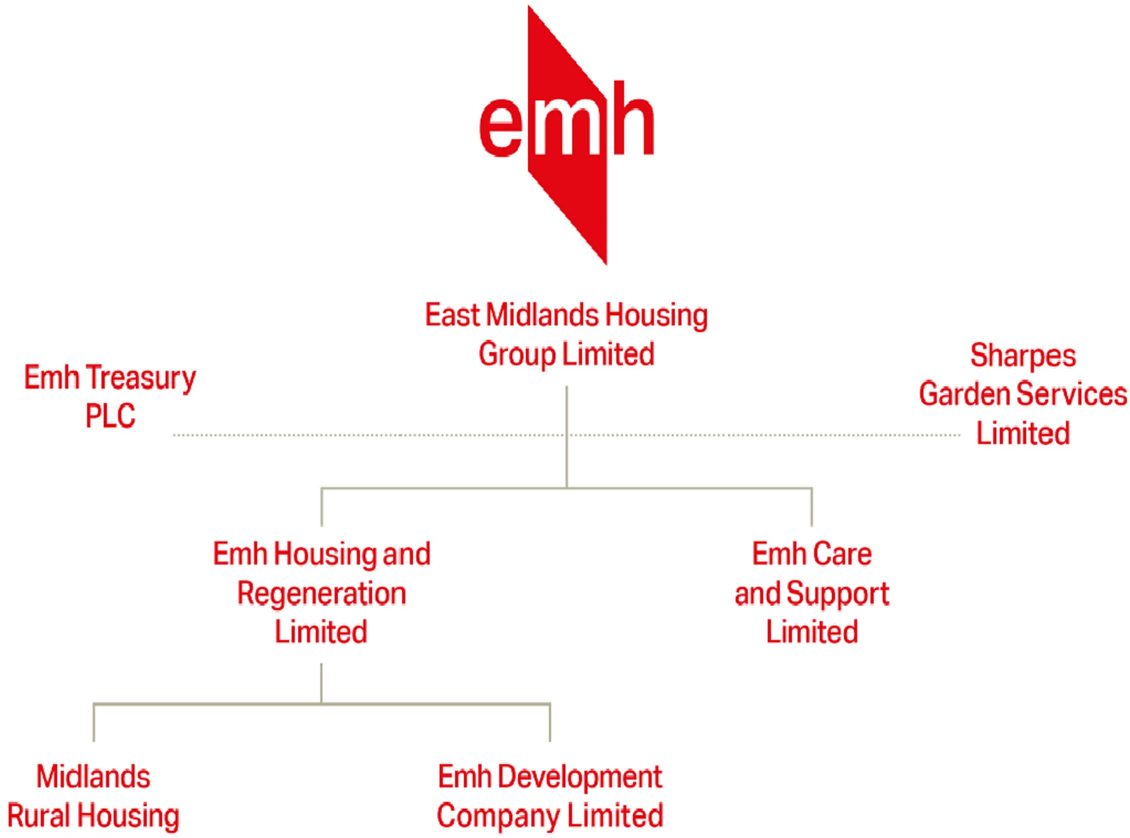
Background

emh Group started its life as a traditional housing association in 1946 and has since established itself as one of the leading providers of affordable housing in the East Midlands region. The group is going through a period of transformation and the parent company was formed in 2008 to oversee the activities of the group. The Group currently manages over 21,000 properties across 49 different local authorities and provides over 12,900 hours of care and support to vulnerable and disabled people each week.

The Group describes itself as "profit for purpose", signifying its commitment to demonstrating an increasingly commercial mind-set to its activities, with a focus on efficiency, value for money and sweating its assets in order to deliver its social purpose.

About the Group

The chart below shows the structure of the group.



About the Group (continued)

East Midlands Housing Group Limited (trading as emh group)
Registered Provider under the Co-operative and Community Benefit Society Act 2014 (non charitable)
Sets the strategic direction for the Group and provides a range of support and development services to subsidiary companies.

emh Housing & Regeneration Limited (trading as emh homes)
Registered Provider under Co-operative and Community Benefit Society Act 2014 (charitable)
Formed in 2013 as the result of the amalgamation of four independent housing associations. Provides landlord services to circa 20,000 mixed tenure properties across the region. Also leads the Quantum Development Consortium which is an investment partner with Homes England (previously the Homes and Community Agency)

emh Care & Support Limited
Company Limited by Guarantee under the Charities Commission
Provides landlord and day care services to adults with learning disabilities and other vulnerable people. Delivers circa 12,900 hours of care and support each week within a supported living, registered care and nursing home environment.

Sharpes Garden Services Limited
Company Limited by Shares (non-charitable)
Provides garden maintenance and landscaping services within the Group.

Midlands Rural Housing & Village Development Association Limited
Non-registered Provider under the Co-operative and Community Benefit Society Act 2014 (non charitable)
Provides specialist management services to four independent rural housing associations.

emh Development Company Limited
Company Limited by Shares (non-charitable)
Provides Design and Build Services to the Group.

emh Treasury PLC
Public Limited Company
A special purpose vehicle set up primarily to raise funds through the Debt Capital Markets.

Corporate Mission and Aims

The Group strives to "**provide housing and care to improve opportunities for people**". This is underpinned by our corporate values: -

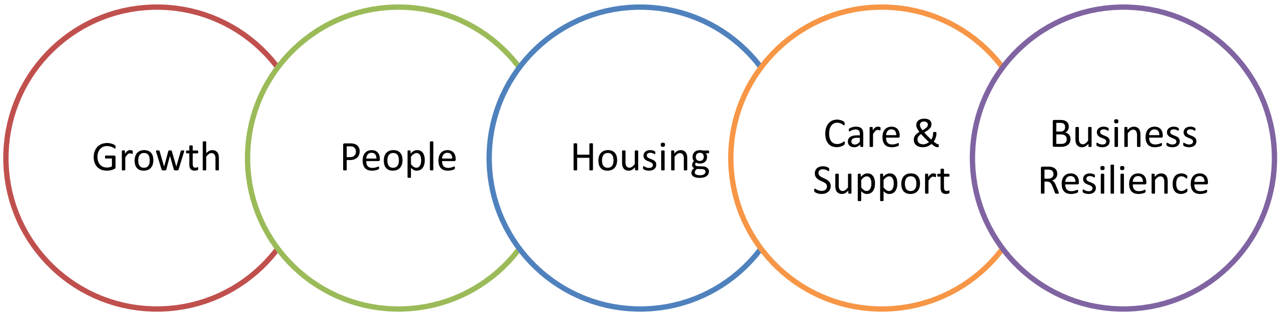
Integrity	We work to the highest ethical standards.
Diversity	We respect others for who they are.
Openness	We are honest and straight forward.
Accountability	We are accountable to and influenced by our customers.
Clarity	We are clear about what we are here to do and why
Excellence	We strive to be the best in everything we do.

Future Plans

Our Board and Executive Team are committed to reaching our vision "**to be the best social housing and care business**" by 2023. A range of metrics have been developed to measure our journey towards the vision.

We recognise that the sector we operate in does not stand still and so we have reviewed our Business Plan in year to ensure that it remains relevant and provide clarity on our progress towards achieving our objectives and the metrics we link to them. Our 'emh working principles' are now embedded within our Strategic Business Goals

1. Growth and Business Development



To deliver ambitious plans to develop new homes to own and rent, meeting a range of housing needs

- We will actively seek out opportunities for expansion through acquisition and partnering, including merger opportunities that align with our values and requirements;
- We will contribute to the Government's ambitions to deliver 300,000 homes by achieving our own development target of 2,750 new homes through a range of products and methods including modular construction. Our first pure module site is due for completion in 2022;
- We will work in collaboration with Homes England and other development partners to achieve increased housing provision;
- We will explore further opportunities to provide our services to others including development agency and sales services;
- We will look for opportunities to develop effective influencing links to contribute to the delivery of the Levelling Up agenda, influence investment in regional infrastructure and workplace skills and to promote links between housing, health and social care in order to widen our offer to potential partners and service users;
- Input into regional growth and development strategies of business and trade representative bodies.

2. People and Organisational Development

To develop our people offer, ensuring there are opportunities for personal growth, talent management and succession in order to increase the impact of individuals and teams across the group

- We will review our Remuneration and Pension strategies;
- Develop and implement a clear Equality, Diversity and Inclusion (EDI) action plan relating to employment;
- We will continue to promote and embed health and wellbeing across emh;
- We will refine and continue to roll out our Learning and Development Strategy;
- We will embed our approach to talent management and succession planning;
- We will expand our Academy, making full use of the Apprenticeship Levy and ensure support mechanisms are in place to allow apprentices to reach their full potential;

Future Plans (continued)

- We will embed a people-based culture aligning the values of the organisation and employees. A place where colleagues are change ready, feel recognised and rewarded and experience an environment of psychological safety.

3. Property Services and Communities

To invest in the housing and neighbourhood services where it is needed most, making services fit for the future, managing our existing homes and investing in and engaging with the diverse communities that live there, increasing our feedback options and putting customers right at the heart of what we do

- We will develop a new approach to consumer regulation across emh;
- We will embed a positive and effective complaints process and culture;
- We will deliver a new model of service delivery in line with our nine transformation principles;
- We will monitor and ensure compliance with rent and consumer standards;
- We will ensure Value for Money (VFM) of the In House Maintenance service and Sharpes;
- We will take a strong customer approach to services to improve customer satisfaction ratings across the board;
- We will develop a detailed delivery plan to review stock condition data covering components to refine costings for net zero/EPC Level C and deliver robust life cycle management;
- Develop and implement a clear Equality, Diversity and Inclusion (EDI) action plan relating to access to and experience of housing and neighbourhoods services;
- We will continue to deliver emh's Homelessness Strategy building on the success of the Rough Sleeping initiative partnership working with local authorities and Homes England;
- We will develop an operational plan in response to emerging Health and Safety related legislation.

4. Care and Support

To provide consistently safe, compliant, good quality, viable services, whilst remaining financially viable

- We will review and strengthen quality and contractual, regulatory and legal compliance, achieving CQC "Good" rating for all services as a minimum within a framework that fosters co-production and effective partnerships within the localities in which we operate;
- We will improve financial viability of the Care Business, generating sustainable surpluses, and demonstrating strong budgetary controls within a delegated framework ensuring our assets meet all required standards and are fit for purpose;
- We will address the people resource and skills gap within the business, deliver higher retention rates and lower employee turnover; introducing an effective people management and training matrix; and highly productive, motivated and engaged colleagues.

5. Business Resilience

To remain a resilient and financially robust business by continuing to demonstrate value for money; efficiency and effectiveness; and, by providing the financial and other resources needed to deliver our services and continue to grow

- We will ensure sufficient liquidity and funding to meet growth objectives whilst maintaining our financial strength with sufficient financial headroom;
- We will retain our A+ rating from Standard & Poor's;
- We will develop a Financial Plan that includes decarbonisation and safety requirements, with clear stock condition costs which ensures covenant compliance;
- We will raise new finance in line with the Treasury Strategy and review existing loans for opportunities for cost savings;
- We will continue to develop data systems and governance that provide one version of the truth with effective dashboard reporting of key performance indicators;

Future Plans (continued)

- We will agree a programme of new ICT projects, including a review of our main housing systems, and ensure they follow the approved project management approach;
- We will meet Value for Money targets ensuring the growth in unit costs are below CPI inflation;
- We will deliver action plans to ensure compliance with the “must do” governance and leadership requirements of the Race Equality Code 2020;
- We will recruit new members with appropriate skills and diversity to meet future business needs;
- We will provide effective compliance in all areas to meet legal, regulatory and good practice requirements.

A copy of the full Business plan with key measures of success can be found at www.emhgroup.org.uk

Leadership and Governance

The Group Board’s role is to set the strategic direction, uphold the values and provide the framework for decision making, performance improvement and standards of customer services. Delivery of the Business Plan is delegated to the subsidiary Boards and day-to-day leadership is delegated to the Chief Executive and the Executive Management Team.

Strong leadership is pivotal to delivering high quality services. Our Board Members are carefully selected to bring a diverse range of skills and expertise in the areas that the Group operates, and Board Members are subject to an individual annual appraisal. The Group Board meets at least four times a year and are committed to continued board development. On an annual basis we carry out a review of the effectiveness of our Board and this is independently reviewed every three years and was last undertaken in 2021. We have also undertaken an external review of the corporate and governance structures during the year which confirmed that these remained appropriate.

Customer influence plays a vital role in shaping the future of the Association. We offer a number of ways for customers to be involved in helping us achieve our mission including a number of online panels, the Scrutiny Panel, service improvement groups and local community-based groups. Our online opportunities for resident influence appeal to a wider demographic and therefore the views given represent a wider cross-section of our customer base. During the year we carried out 37 consultations and our Scrutiny Panel investigated both our aids & adaptations and complaints services. Numbers of engaged residents remain at around 1500 through online methods of consultation and engagement

Board membership, remuneration and attendance

Name and Remuneration	Board Member	Audit Committee	Treasury Committee	Remunerations & Governance Committee	Board Meeting Attendance
EAST MIDLANDS HOUSING GROUP LIMITED					
Amanda Ashton *£9,574.14*	◆				2/4
Gail Puttock *£9,402.54*	◆				4/4
Tim Brown *£9,402.54*	◆	◆ **Chair**			4/4
Vandna Gohil *£9,402.54*	◆				4/4
Jim Holden *£12,020.61*	◆ **Vice-Chair**				4/4
Christopher Hobson *£12,020.61*	◆				4/4
Chan Kataria *Paid as an executive*	◆				4/4
Patricia McCabe *£9,402.54*	◆			◆ **Chair**	4/4
David Russell *£21,558.57*	◆ ***Chair***		◆ ***Chair***		2/4

Business Review and Operating Environment

The needs of our customers are changing and in many cases increasing. Rises in living costs, especially heating, fuel and food, are placing considerable financial burdens on many of our tenants and residents. We have an ageing population with a fragile care system, and we have new challenges facing both the housing and care sectors. We want to remove the stigma attached to the social housing and care sectors and to bring about a change in perceptions so our customers, colleagues and others across the sectors can be proud about social housing and care. We have a lot to achieve, but emh group is already very proud to provide housing and care services to residents and service users in over 21,000 properties with a turnover of £125million and over 1,100 employees.

Our objectives remain relevant even when facing unprecedented changes to our operating context - changes that have and continue to present us with both challenges and opportunities, and we embrace both. The tragic Grenfell fire has led to three impactful and sector changing documents that we welcome.

'The charter for social housing residents: social housing white paper', a defining document that sets out the actions required to ensure that residents in social housing are safe, are listened to, live in good quality homes, and have access to redress when things go wrong. The new Building Safety Act 2022 will have major financial and practical consequences for the Residential Housing Sector. And of course, the long-term impact of dealing with the Coronavirus pandemic will see emh group continue to take all measures required by Government to safeguard our customers and colleagues. The National Housing Federation Code of Governance 2020 places a fresh emphasis on the central role board leadership plays in ensuring an organisation's culture and behaviours are aligned with its mission and values, placing a fresh emphasis on the key themes of accountability to stakeholders, including residents and other customers; equality, diversity and inclusion in governance; and environmental sustainability.

Business Review and Operating Environment (continued)

We are proud to have been accredited as an Investors in People Gold organisation, showing true testament to our colleagues. We have a team of cultural transformation practitioners trained within the Group; and have established our new Apprenticeship Strategy and an Aspiring Manager's programme with a strong focus on growing our own talent across our business. A move to permanent home and flexible working for many of our staff has been supported by a "leading remotely" course for all line managers across the group, all of whom are trained in coaching techniques.

Due to the hard work and dedication of our Income team we have exceeded our arrears target of 4.00% achieving 3.26% at year end. We have also seen strong property sales continue as the market remains buoyant in our operating area. The cost of living crisis is likely to impact going forward and our stress testing shows that, whilst financial performance may vary in the short term, viability will not be threatened. This situation will be monitored as the situation develops. We are financially strong and although our surpluses will be weaker in the short term, we remain well ahead of our financial covenants.

Our main areas of operation, the provision of affordable housing and care & support services, continue to be complex and diverse. The housing crisis is multi-faceted, with key issues around affordability, availability and homelessness. In May 2020/21, the average (mean) house price in the East Midlands was £246,999 whilst mean average earnings were £28,761. This means that the ratio of housing prices to incomes is 9, compared with a national average ratio of 11. Unemployment rates in the region were higher than the national average of 4.9%, standing at a regional average of 5.5%. Research published in early 2021 suggests that a total of 340,000 additional homes each year until 2031 will not meet current housing needs. 145,000 of these new homes must be affordable. Having been in operation for over 75 years and with expertise including rural housing, specialist and supported housing and the profile and reputation to influence at both a local and national level within the sector, we are well placed to be part of the solution.

On the back of further strengthening the Strategic Partnership with Homes England we increased our growth target and have a significant development programme of both affordable rented and low-cost home ownership properties across the region. We are also exploring other tenures including social rented properties and market sale in order to offer a balanced mix of new homes and build sustainable communities. Our development programme now includes more land-led schemes alongside the traditional S106 and package deals following the incorporation of emh Development Company Limited.

One of our key objectives is to make a real impact on homelessness. We are pleased to have grown this vitally important work by partnering with another local authority, bringing the total to six local authority homelessness partnerships across the East Midlands. These will provide real solutions, increase homelessness temporary provision and also move-on accommodation with support to ensure tenancies have every chance of success. This includes our support for several applications for funding to pilot Housing First schemes across 6 local authority districts, and important local partnerships to rehouse refugees.

Our Care and Support arm delivers vital services to adults with learning disabilities, mental health problems and the elderly and is an important part of our service offering. Ensuring the well-being, independence and fulfilment of our customers is paramount and our Board are committed to its continued provision within the Group. 2021-22 was a challenging year with resource scarcity impacting the sector and the after effects of covid continuing to restrict elements of our service. Because of this we remain under increasing pressures and are working hard to ensure that all of our services are financially viable whilst maintaining a safe and effective service. In September 2021 we opened our flagship extra care scheme in Ashby de la Zouch providing shared ownership and rented homes for those with care and support needs. This development has proved to be extremely popular both with residents and the community. Under the ongoing strategic partnership with Homes England we have plans in place to develop a further 2 extra care schemes cementing ourselves as leading care providers.

Business Review and Operating Environment (continued)

Providing housing and care to improve opportunities for people remains at the heart of what we do, and these challenges and uncertainties do nothing to diminish our strong social purpose. The financial strength of the Group did not face viability concerns despite the challenging environment. Following an In-Depth Assessment in early 2022 we retained the V1/G1 rating alongside our A+ negative rating confirmed by Standard & Poors. Our surpluses exceeded predictions and we remain well ahead of our covenants.

We have had a successful year being shortlisted for or winning many prestigious awards including;

- Winner of the Social Housing Award Category, Insider Midlands Residential Property Awards
- Winner of the Skills and Apprenticeship Scheme Award, East Midlands Property Awards
- Winner of Contribution to the Region award to the CEO in the Nachural Entrepreneurship Awards
- Housing Association/Landlord of the Year Award in the East Midlands Energy Efficiency Awards
- Highly Commended in the Large Scale Project over £250,000 in the East Midlands Energy Efficiency Awards
- Finalist, LeicestershireLive Women in Business Awards
- Finalist, Outstanding Contribution to Work in STEM, East Midlands Chamber Enterprising Women Awards
- Regional Finalist for the Apprentice of the Year, in the National Apprenticeship Service Awards
- Shortlisted for Inside Housing Development Awards, for Best Older Peoples' Housing Development (Rural and Suburban) for Springfields

Risk Management

Risk	Our response
GROWTH AND BUSINESS DEVELOPMENT	
Unable to deliver the development programme *Lack of affordable land, increasing building costs and a market downturn ultimately reduces our ability to meet development programme objectives. Lack of Homes England grant funding.*	✓ We have stress tested our financial plan for changes in the development programme; ✓ We have a Development Strategy and a Marketing Strategy; ✓ We have a Development Monitoring Group; ✓ We work in partnership with Homes England; ✓ We investigate new products and joint ventures. ✓ We have revised financial parameters in place.
BUSINESS AND FINANCIAL RESILIANCE	
Threats to liquidity and financial viability *Weak economic conditions with high inflation and interest rates causing increases in operating costs. Ultimately leading to breach of covenants. Failure to deliver and demonstrate that value for money has been achieved.*	✓ We have a robust Financial Planning and Budgeting process; ✓ We have a Value for Money Strategy and unit cost analysis; ✓ We have a programme of Efficiency Gains; ✓ We carry out robust stress testing; ✓ We are reviewing our recovery planning; ✓ We have a Treasury Policy/Strategy; ✓ We are hedging debt.
Noncompliance with Health & Safety requirements *Failure of leaders to identify risks and adequately prioritise and embed robust health and safety policies, procedures, systems and reporting into the everyday culture and activities of the organisation. Failure also of those who operate on our behalf, putting the health and safety of employees, customers, and the wider public at risk of harm*	✓ The Health & Safety policy is reviewed annually; ✓ We have a dedicated Health & Safety governance and structure; ✓ We have a trained in-house Health & Safety team; ✓ We have an annual Health & Safety Learning & Development Plan; ✓ We have an ISO45001 action plan with consultancy support; ✓ This is a cross cutting theme of the transformation programme; ✓ We ensure safe systems of work & risk assessments.

Risk Management (continued)

Risk	Our response
BUSINESS AND FINANCIAL RESILIANCE (continued)	
Inaccurate, inconsistent and insecure data *Lack of robust data and systems across the business leading to data integrity issues. Loss of data or disruption to ICT service as a result of cyber-attacks. Financial loss due to cyber-attack related fraud*	✓ We have backup solutions and disaster recovery; ✓ We have Cyber Essentials Plus accreditation; ✓ We have a training programme for GDPR; ✓ We have technical solutions and ICT infrastructure; ✓ We have a transformation data governance group; ✓ We carry out Internal audit and continuous assurance; ✓ Multifactor authentication implemented.
PEOPLE AND ORGANISATIONAL DEVELOPMENT	
Ineffective governance *Inability to attract new Members. Weaknesses in the leadership, skills or diversity of the Board leading to failure to appropriately drive the organisation's social purpose, culture, mission, values and ambitions or to embed resident focus in its decision making and safeguard the reputation and long term financial viability.*	✓ Governance structure including R&G committee ✓ Independent committee members; ✓ Adopted 2020 NHF Code of Governance; ✓ Board remuneration (with exception of c&s) reviewed June 21; ✓ Board membership, recruitment and succession policy & skills register; ✓ Annual review of board effectiveness; ✓ Board Diversity Champion; ✓ Risk and Assurance framework; ✓ Regulatory Compliance Reviews & Rents Group; ✓ 2020 Code of Governance/Anthony Collins Action Plan; ✓ We have developed a succession plan.
Unable to achieve the organisation's strategic objectives through our people *Failure to recruit, develop and retain a skilled, competent and diverse workforce, and to develop the leadership skills required to meet the organisation's changing needs, whilst maintaining a positive values-driven culture where people are engaged and committed.*	✓ We have an HR Strategy; ✓ We have an Academy strategy; ✓ We have a Communications Strategy; ✓ We have a Learning & Development Strategy; ✓ In place are Consultative Committees & Union recognition agreements; ✓ Remunerations & Governance Committee; ✓ We hold exit interviews; ✓ We have introduced a Flexible Home-Working Policy; ✓ We champion Barretts Values having trained in house practitioners.

Risk Management (continued)

Risk	Our response
CARE & SUPPORT	
Inability to provide effective, compliant and viable care and support services that meet our customers needs *Significant breach of Regulation with CQC leading to reputational damage* *Reduction in commissioning income leading to loss of viability* *Retrospective payments relating to sleep-in provisions, potential review of bed rates and change in contracts.* *A reliance on agency cover.*	✓ We have an Investors in People (IIP)project plan; ✓ A Quality framework has been developed; ✓ We have a corporate care and support risk map; ✓ Safeguarding procedures and reporting dashboard is in place; ✓ We carry out stress testing; ✓ We collect and monitor Care and support key performance indicators; ✓ Review of the Monthly management accounts; ✓ We receive quality audit reports in house; ✓ A detailed training matrix has been developed; ✓ We have introduced People Planner and staff KPI's.
HOUSING AND NEIGHBOURHOODS	
Stock that fails to meet statutory and funding requirements *Lack of investment, robust stock condition information, asset management strategy and delivery of maintenance programmes leading to deterioration of stock. Inability to meet the decarbonisation agenda, EPC level C, new Decent Homes Standard and the requirements of the Fire Safety Bill.*	✓ We are undergoing a thorough Transformation Project; ✓ We have a clear Disposals Framework; ✓ We have a newly developed Asset Management Strategy; ✓ We are undergoing stock condition surveys.
Poor quality and poor affordability of our homes and services *Poor customer satisfaction levels that lead to reputational damage and higher turnover of our properties. Failure to meet the Tenant Satisfaction Measures and Consumer Standards. A lack of affordability of our homes and services impacted by the cost of living crisis.*	✓ We performance monitor our Customer Service Centre; ✓ We carry out tenant satisfaction surveys; ✓ We have a Customer Services Strategy; ✓ We monitor complaints and have reviewed our approach to these; ✓ We have an emh homes Operational Plan; ✓ We have reviewed and developed our approach to complaints.

Internal Controls

The Group Board is the ultimate governing body for the emh group and is committed to the highest standards of business ethics and conduct across all the operating businesses. The Group has a robust culture of internal controls. The Group's risk management and control culture is further supported by the adoption of the National Housing Federation's Code of Governance.

The Group Board has overall responsibility for the system of internal control and risk management across the group and for reviewing its effectiveness. The Board confirms that it has an approved fraud policy. The policy covers prevention, detection and reporting of fraud. Details of identified frauds are maintained in the fraud register which is reviewed annually by the Audit Committee on behalf of the Board. The Group has also appointed a Money Laundering Reporting Officer as part of its compliance with anti-money laundering legislation.

The Group Chief Executive and Directors have reviewed the effectiveness of the internal control and assurance arrangements and have confirmed to the Board that all relevant regulations, policies and procedures have been complied with during the year. The Group Audit Committee has also expressed its satisfaction with these arrangements in its review of the effectiveness of internal control systems.

Achievements in 2021-22

Financial Performance

We continue to challenge ourselves to be financially efficient and aim to reduce our core operating costs through cost saving and growth. As a profit for purpose organisation, our priority is to maximise the margin on our core operations in order to generate cash for new developments, new projects and reinvestment in our services and assets.

The table below gives an overview of the financial performance of the Group for the year. The ratios are for performance management only. They do not reflect our loan covenants which are calculated on the results of emh homes only.

Year ended	31 March 2022 £millions	31 March 2021 £millions
INCOME AND EXPENDITURE		
Turnover	121.7	122.6
Operating costs & cost of sales	(94.8)	(88.1)
Sales of other fixed assets	4.9	3.4
Operating surplus	**31.8**	**37.9**
Operating margin	**26%**	**31%**

Our operating surplus for the year was £31.8m, generating an operating margin of 26%. Although £6m lower than 2021 this is a healthy result in the current environment. The increase in turnover has been far exceeded by increased operating costs as we focus on ensuring our homes and communities are the best standard achievable.

The operating margin on our social housing lettings activities was £25.2m, £1.9m lower than in the prior year. Whilst the increased unit numbers have generated some additional income in year this has not been as much as anticipated due to lower property handovers. However there has been continuing further investment in our maintenance service and estate costs.

The operating surplus of £3m on other social housing activities is significantly lower than in the previous year. This is largely due to first tranche sales achieved in the year. We exceeded our monetary target for sales despite volumes being 83% of that expected. This is due to reduced handovers of properties and is not reflective of impacts on the market as we are now operating a waiting list for shared ownership properties.

Our analysis of care and support income and costs has highlighted that whilst the margins on our care activities have always been low this year has seen a significant impact on costs. In an unprecedented year we have been unable to achieve the target 5% margin on these activities with an overall deficit of £0.5m. This was expected and is largely due to the ongoing impacts of the global pandemic and resource shortage in the sector.

Achievements in 2021-22 (continued)

Financial Performance (continued)

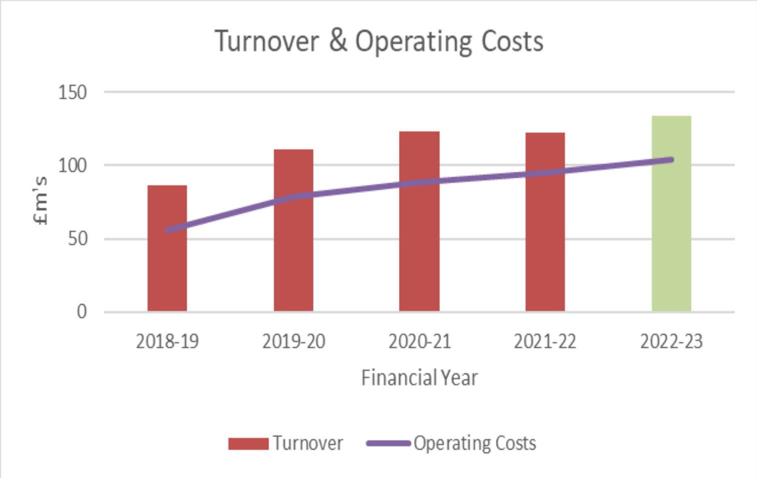
Year ended	31 March 2022 £millions	31 March 2021 £millions
STATEMENT OF FINANCIAL POSITION		
Housing properties less depreciation	928	884
Other fixed assets	20	18
Total fixed assets	**948**	**902**
Net current assets	43	97
Long-term loans & liabilities	(756)	(786)
Net assets	**235**	**213**
Revenue & other reserves	**235**	**213**
Increase in housing property cost	**5.0%**	**7.5%**
Number of units in management	**21,411**	**21,139**
Interest cover	**130%**	**158%**
Interest cover excluding depreciation	**218%**	**238%**
Gearing	**48%**	**53%**

Total tangible fixed assets increased by £46m in the year predominantly due to our investment in new properties and capital maintenance of our existing properties including replacement kitchens, roofs, windows & doors and electrical rewire programmes. Our ongoing commitment in these areas is evident by the Board approved increased spend that we have been able to realise in year.

Net current assets reduced significantly in year, a decrease of £54m; cash and investment balances decreased to £63m at the year end with creditors increasing by £17m and debtors reducing by £11m.

Borrowing decreased by £9m to £492m, following ongoing contractual payments. No additional funding was secured in year with this scheduled to take place in 2022-23. Our pension deficit liabilities decreased during the year. The fair value of the plan assets has increased substantially. In addition, the present value of defined benefit obligations has decreased due to changes in financial assumptions, demographic assumptions and other assumptions. The discount rates used to calculate future liabilities have increased as to have the expected salary percentage increases

Achievements in 2021-22 (continued)

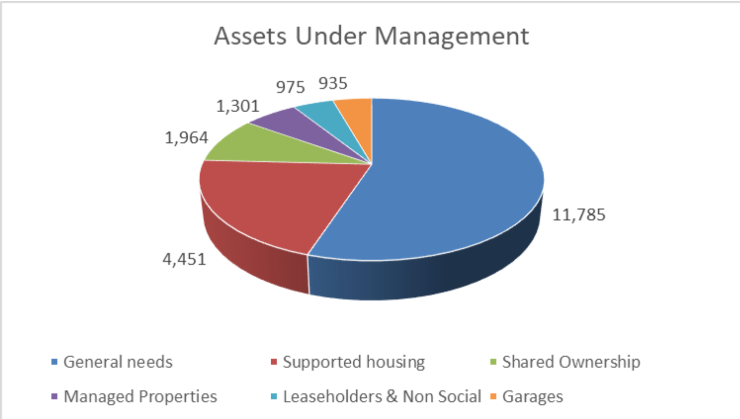


We continue to invest in our services to ensure we provide the high level of provision to our customers, maintaining our existing units and investing in our communities.

In 2021-22 the increased expenditure exceeded income growth as we completed works that were slowed by the impact of the pandemic in the previous year. We also invested in our communities as part of our financial inclusion strategy.

Our varied stock profile has increased significantly in recent years and allows us to support our customers and communities with their widespread requirements.

We work with the local authorities in our organisational region to ascertain housing need and are actively pursuing new growth and funding opportunities emerging from East Midlands regional economic activity such as the East Midlands Airport Freeport; the Government's Levelling Up agenda and Industrial Strategy.

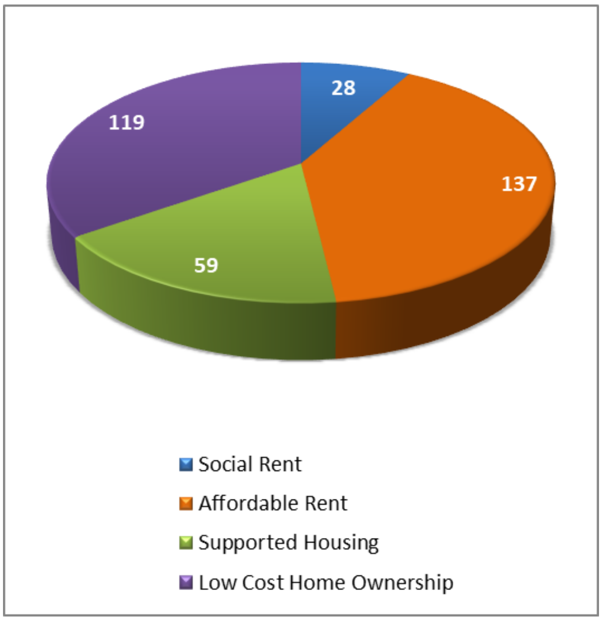


Development Performance

The Group lead the Quantum Development Consortium and are lead partners with Homes England. We recognise that housing associations have a key role to play in tackling the national housing crisis. Our strategic partnership with Homes England has progressed with all of the £43.4m grant having been drawn down in the first tranche. We are on target to deliver 948 new homes as part of the 2018 Homes England initiative. We were also successful in the second phase of the partnership having been awarded a further £88m to develop 1,750. The partnership has therefore seen our development programmes escalate. Our ambitious growth targets are fully embedded in our Development Strategy, showing our commitment to increased growth. Our target of 2,750 new homes over a five-year period is slightly behind schedule following the impacts of Covid-19. However we are confident this growth will be delivered. The strategy sets out our preferred tenure mix and development type to fulfil these ambitions. We are pursuing more land-led opportunities using our development company.

Achievements in 2021-22 (continued)

Key development achievements during the year included:



✓ Achieved over 60% of our targeted completions with 343 new homes being delivered on behalf of the Group, achieving annual growth of 1.8%;

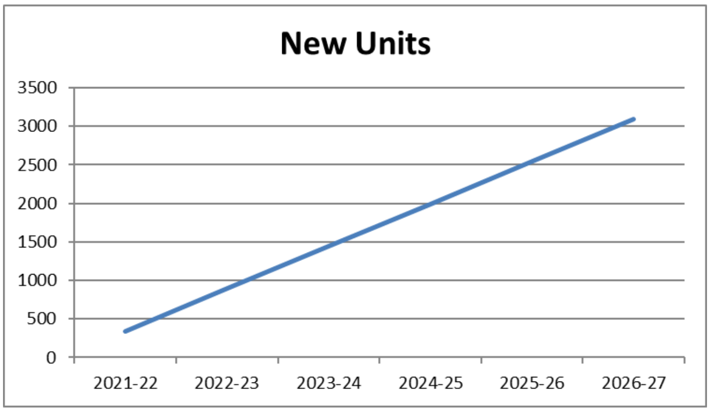
✓ Realised proceeds of £12.9m from shared ownership first tranche sales and £8.7m from other sales including asset disposals, Right to Buy, Voluntary Right to Buy and stair casing;

✓ We have 1,139 new homes on site which will be delivered in future years;

✓ Received £5.6m of grant from Homes England including £3.9m of Strategic Partnership, concluding the grant drawdown for the first phase, and £1.7m of SOAHP grant in relation to Court Street, Woodville and Watnall Road, Hucknall.

Our Development Schemes

We have an excellent reputation for delivering a range of tenures to meet the growing demand for affordable housing within our diverse geographical area of operation. Our commitment remains to develop circa 550 new units per year. We are particularly proud of the following schemes completed during the year: -



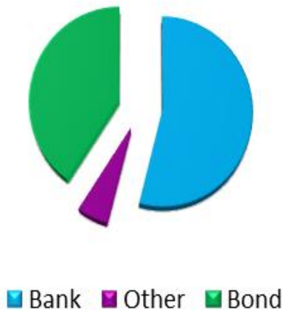
✓ Springfields Extracare, Ashby de la Zouch – A selection of 65 new affordable rental houses and shared ownership apartments;

✓ The Plough Inn, Ravenstone – A fully shared ownership site of 14 properties. Regenerating an old derelict site with access to Homes England funding;

✓ Annersley Road, Hucknall – A 56 property scheme made up of 23 affordable rent and 23 shared ownership properties on a formerly overgrown brownfield site.

Achievements in 2020-21 (continued)

Treasury Management



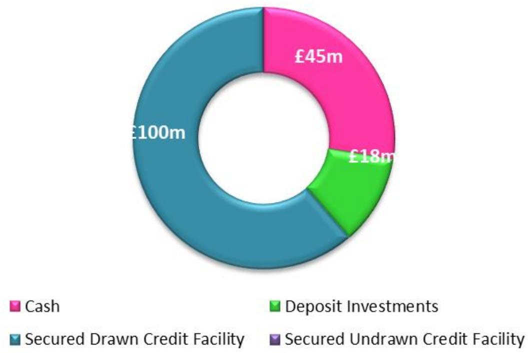
The Group's total borrowings reduced in the year by £9m to £492m at the year end due to contractual repayments.

No additional funding was secured in year as this will take place in 2022-23. The current revolving credit facility of £190m remains secured and available to draw down.

All interest rate management is by fixed rates embedded within loan facilities. Therefore the Group is not exposed to risks linked to free standing derivatives.

The Group only borrows in sterling and so does not have any currency risk. Surpluses are invested in approved UK institutions and the Group Treasury Committee monitors investment returns.

The Group had cash balances of £63m at the year-end including £18m of deposit investments. We also have access to £100m through a revolving credit facility which is all secured.



Business Plan Objectives

During the year significant progress was made against the targets in our last Business Plan. Highlights include:-

- ✓ We exceeded our monetary first tranche sales target despite only achieving 83% of our sales target due to reduced handovers in year. We also secured 52 staircasing sales;
- ✓ We continued to work as a Strategic Partner, successfully entering phase 2 of the programme and received £3.9m in the year, further strengthening our relationship with Homes England;
- ✓ 65% of our tenants have signed up to our online portal;
- ✓ Supporting 185 apprentices to date, well on the way to meet our target of 250 by 2023;
- ✓ We have successfully let or sold all 65 apartments of extra care housing for rent and home ownership in our new development in Ashby De La Zouch, Leicestershire further cementing our commitment in this field;
- ✓ We maintained our A+ credit rating following a reassessment by Standard and Poor's, highlighting our improving operational performance and significant development programme;

Business Plan Objectives (continued)

- ✓ We retained the Investors in People Gold accreditation;
- ✓ Updating our People Strategy based on four underlying principles: embed diversity and inclusion in all we do; optimise internal communications to foster trust, collaboration and innovation; champion a move to a data driven organisation; and champion agility and change readiness;
- ✓ We have reviewed our Equality, Diversity and Inclusion Strategy and taken positive steps to work towards having a workforce and board membership demographics that reflect the communities we serve. We have adopted the Rooney Rule, helping ensure that recruitment to leadership roles is accessible to black and minority ethnic (BAME) applicants. We publish our ethnicity pay gap report annually. Our BAME Leaders' Group provide challenge and support to help us address racial inequalities;
- ✓ Effectively mobilised our move to office based, homes based, hybrid and agile working;
- ✓ Publishing our first Environmental, Social and Governance report and made a successful bid via Midlands Energy Hub for the Social Housing Decarbonisation Fund to improve EPC ratings on 103 homes;
- ✓ We have successfully implemented our new learning management software to support our plans for the future investment in the development of our workforce;
- ✓ Our 'Together with Tenants' work as an early adopter has seen the number of residents who engage with us on a regular basis reach over 1,500 residents registered to becoming actively involved in providing feedback and in our resident engagement activities;

Value for Money

Delivering Value for Money (VfM) is integral to the way the Group operates and as such is overseen directly by the Group Board. During the year the Board approved a new Value for Money Strategy, aligned to the regulator's Value for Money Standard and associated Code of Practice and the Sector Scorecard and we apply the Strategy across all activities within the Group regardless of which entity operates them.

A key part of delivering our services as efficiently as possible is understanding the costs and main drivers, setting targets for key financial measures and understanding how our costs compare to our peers. We continue to use the "Sector Scorecard" to measure and monitor our progress across the agreed metrics and how these will be reported to our stakeholders.

The table below comprises the regulator's mandatory metrics based on the latest financial performance, compared to the prior year and our selected peer group. A copy of the full Value for Money Self-Assessment Statement will be published on our website including a comparison against the peer group's 2022 figures when they become available.

Regulators Metrics	emh group 2022	emh group 2021	Trend	2021 Peer Group*
Operating margin (excl surplus on sales)	22.1%	28.1%		23.0%
Operating margin – social housing lettings	27.8%	31.0%		26.2%
EBITDA MRI % interest cover	127%	176.1%		166.8%
Units developed as % of unit owned	1.8%	2.2%		1.1%
Gearing	48.2%	53.1%		46.5%
Reinvestment %	8.2%	7.6%		6.15%
Return on capital employed	3.2%	3.8%		3.4%
Headline social housing unit cost	£3,193	£2,679		£3,528

KEY Indicator has improved Indicator has stayed the same (or within 1% of prior year) Indicator has worsened

* Peer group comprises Housing Associations in England, both LSVT and traditional, who manage over 10,000 units. 2022 data is currently being collated and are therefore, the 2021 peer group are used for indicative purposes. Once the full peer group is available, an analysis will be undertaken and published in our Value for Money Self-Assessment for 2022.

Value for Money (continued)

Our operating margin on all activities and our operating margin on social housing lettings reduced this year compared to the prior year. This was not unexpected as we emerge from the pandemic restrictions and complete works that were scheduled for the prior year. Residents took the opportunity to move from properties, thereby increasing our void volumes. Delays from the previous financial year in the midst of Covid-19 have driven increased maintenance requirements. Operating costs in relation to turnover increased for our General Needs and Low Cost Home Ownership properties. Challenges with staffing to provide our high level support service resulted in an increase in costs on support activities, while increased cost of sales impacted our first tranche sales activity.

Our headline social housing cost is £3,193 per unit, a significant increase of 19% on the prior year. Our Business Plan target is to contain the annual increase in total unit cost within inflation and this has not been achieved for the first time. However the position was recognised and acknowledged early in the year. Management costs increased by 3% in year due to increased overhead costs. We are strongly committed to maintaining and improving our properties and following a year of reduced spend in 2020-21, due to the Covid-19 restrictions, our major repairs programme has now reached the increased levels agreed by the Board. This has seen spend per unit increase by 87% as we nearly doubled our investment in major repairs. Our maintenance costs have increased by 15% as we have seen void numbers grow in both volume and monetary terms. This is being closely monitored and analysis work carried out. Whilst on the surface an increase of 19% overall appears to be an adverse result this is infact a positive outcome with the investment in maintenance and major repairs, including decarbonisation works, being evident.

During the year we completed 343 new units of our 550 unit target achieving circa 60% of our intended growth. This shortfall is largely due to the ongoing impacts of the pandemic and Ukrainian crisis as materials and resource become harder to secure coupled with delays on planning being awarded therefore delaying start on site. Whilst this has impacted the current years handover numbers there are more homes started on site at year end than ever before and we remain confident that we can achieve our overall development targets under the Strategic Partnership. At the year-end we had 1,139 new homes on site which will be delivered in future years and remain on track to achieve our target of managing at least 21,500 homes by 2023 having developed 2,750 high standard new homes in the 5 years up to this. Now in our fourth year under the original Strategic Partnership with Homes England, at the end of the financial year we had drawn down all of out £43.4m grant allocation, with £3.9m being claimed in year. We also entered the second phase of the partnership having been awarded grant of £88m to complete 1,750 new properties over the next 5 years.

There has been a marginal decrease in our gearing ratio which has fallen to 48.2%. This is due to increased assets in year whilst borrowings have not increased.

The Sector Scorecard is a set of agreed metrics adopted by the Housing Sector where the regulators mandatory metrics are supplemented by a range of indicators; mostly taken from our financial accounts across 5 categories (Business health, Development, Outcomes delivered, Effective asset management and Operating efficiencies) and allows us to track our progress with delivering cashable savings and demonstrate how we are controlling costs whilst still delivering our core services and developing new homes.

Value for Money (continued)

Sector Scorecard	emh group 2022	emh group 2021	Trend
Units developed	343	407	
Customer satisfaction with services provided by landlord	81%	81%	
Rent collected	99.8%	99.8%	
Occupancy	98.5	97.4%	
Ratio of responsive repairs to planned maintenance	1.16	1.45	
Management cost per unit	£1,029	£997	
Services cost per unit	£452	£415	
Maintenance cost per unit	£1,004	£873	
Major repairs cost per unit	£664	£355	
Other social lettings cost per unit	£44	£39	

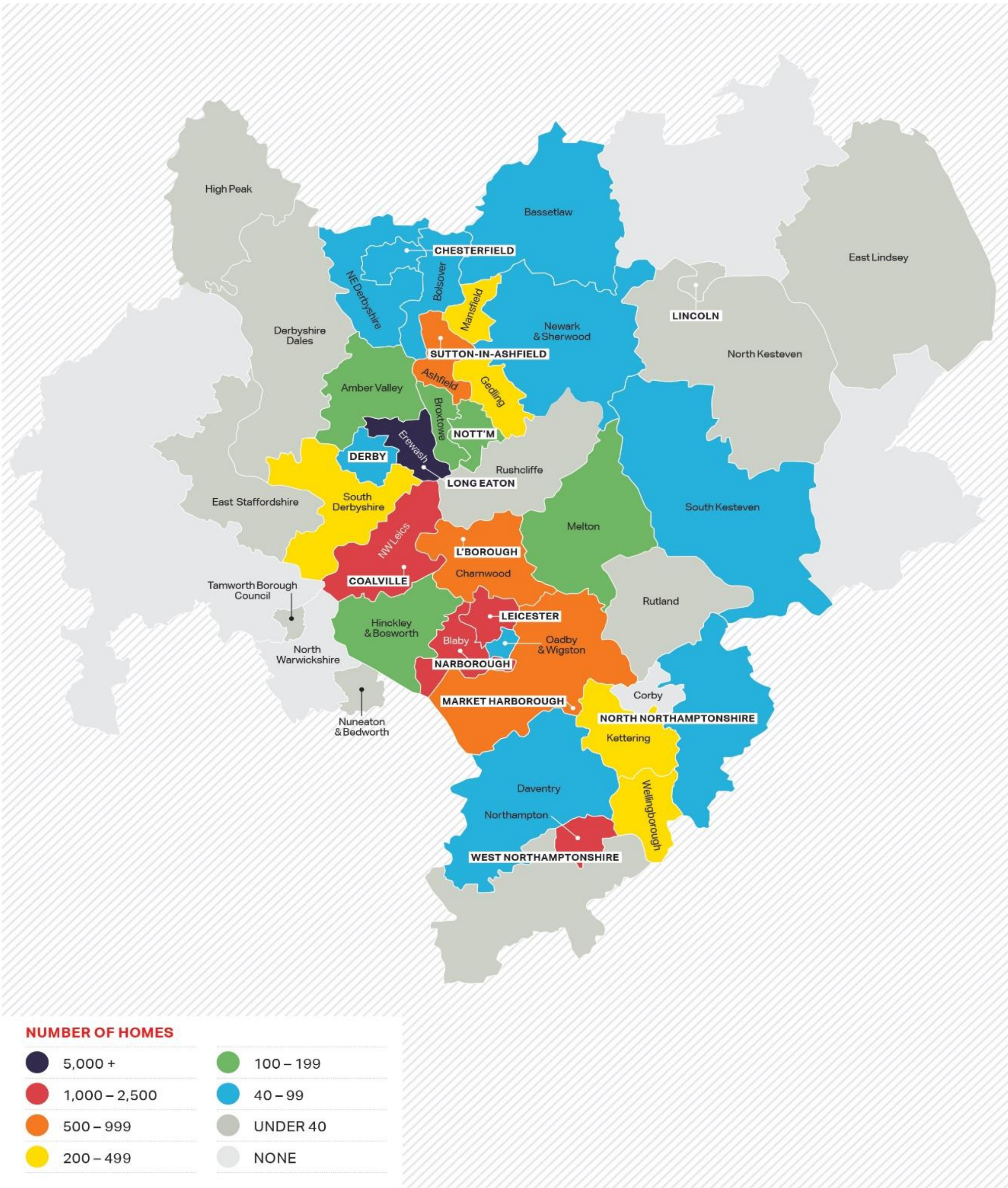
The table above gives a summary of the additional Sector Scorecard metrics based on the latest financial performance, compared to the prior year. A copy of the full Value for Money Self-Assessment Statement will be published on our website including a comparison of the Sector Scorecard against our selected peer group when it becomes available.

Value for Money is central to the delivery of the strategic objectives of the Group and in the current operating environment there is increasing pressure to reduce costs and provide cost effective services. Delivery of the efficiency savings plan is a key priority for the Group, and we continue to challenge processes and working practices in order that we can continue to deliver high quality services with fewer resources.

Operational Area

STOCK ACTIVITY MAP

Homes owned across the East Midlands



Statement of Board's Responsibilities in Respect of the Boards' Report and the Financial Statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Compliance

The Board is committed to ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015 to ensure that slavery and human trafficking does not exist in any part of our business or supply chain. emh Group's statement on modern slavery 2019 has been made available on our website **www.emhgroup.org.uk**.

Statement of Compliance (continued)

The Board has overall responsibility for the system of internal control and risk management across the group and for reviewing its effectiveness. The Board confirms that it has an approved anti-fraud and corruption policy that has been distributed to all staff. The policy covers prevention, detection and reporting of fraud. Details of identified frauds are maintained in the fraud register which is reviewed annually by the Audit Committee on behalf of the Board. The Group has also appointed a Money Laundering Reporting Officer as part of its compliance with anti-money laundering legislation.

The Board also take steps to ensure that the Group adheres to the regulator's Governance and Financial Viability standard and its associated code of practice that includes adhering to all relevant law and having a thorough, accurate and up to date record of our assets and liabilities. Following this review, the Board confirms that the Group complies with the Governance and Financial Viability standard. The Group retains the highest ratings for Governance and Viability from our regulator.

On 25th May 2019, the EU General Data Protection Regulations (GDPR) and following this the Data Protection Act 2018 came into effect to strengthen and standardise data protection laws in the UK. We have a dedicated Data Protection Officer who has supported the organisation to ensure that the new requirements are embedded across all of our business areas, from a legislative, policy and operational perspective. As of 31st March 2021, the Group were compliant with GDPR and the Data Protection Act 2018.

At 31st March 2021, emh group, emh homes, emh care and support and Midlands Rural Housing were compliant with the National Housing Federation's Code of Governance 2015. The code has not been adopted by Sharpes Garden Services or emh Treasury PLC. The annual self-assessment of compliance with both the Regulator of Social Housing Governance and Viability Standard, and the NHF Code of Governance (2015) confirmed full compliance for the year ended 31 March 2022. The Group Board adopted the NHF Code of Governance 2020 in March 2021 and action plan is in place to work towards full compliance.

After careful consideration, the Board decided to adopt the National Housing Federations' Code for Housing Association Mergers, Group Structures and Partnerships; a voluntary code that provides a framework for strategic discussions. The Board have approved a Partnership and Merger Strategy which is closely aligned to our Value for Money Strategy.

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in the Housing SORP 2018: Statement of Recommended Practice for registered social providers.

Disclosure of information to auditor

The Executive Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Executive Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

DAVID RUSSELL

Chairman

28 July 2022

INDEPENDENT AUDITOR'S REPORT TO EAST MIDLANDS HOUSING GROUP LIMITED

FOR THE YEAR ENDED 31 MARCH 2022

Opinion

We have audited the financial statements of East Midlands Housing Group Limited ("group and the association") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cashflow Statement, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the Group and the Association's affairs as at 31 March 2022 and of the income and expenditure of the Group and the Association for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease its operations, and as they have concluded that the Group and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's and the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board and the audit committee as to the Association's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Association's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the majority of revenue streams are routine transactions with non-complex recognition criteria.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included posted to unusual or seldom used accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Fraud and breaches of laws and regulations – ability to detect (continued)

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group and association are subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related Co-operative & Community Benefit Societies Act legislation) and requirements imposed by the Regulator for Social Housing and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group and association are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and data protection laws. Legislation recognising the regulated nature of the Group and association's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Board are responsible for the other information, which comprises the Strategic Report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information.
- in our opinion the information given in the other information for the financial year is consistent with the financial statements; and
- in our opinion the other information has been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 24, the Association's Board are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 association for our audit work, for this report, or for the opinions we have formed.

Sarah Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham B4 6GH

EAST MIDLANDS HOUSING GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Note	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Turnover	3	121,656	13,700	122,604	12,343
Operating costs	3	(94,806)	(12,595)	(88,139)	(11,696)
Surplus/(deficit) on disposal of tangible fixed assets	8	4,981	(38)	3,433	-
Operating surplus	3	31,831	1,067	37,898	647
Interest receivable and other income	9	40	22	61	22
Interest payable and similar charges	10	(20,340)	-	(21,608)	-
Finance income and costs	12	(392)	(45)	(199)	(18)
Donation	11	-	(340)	-	(500)
Surplus before taxation	5	11,139	704	16,152	151
Tax on surplus on ordinary activities	13	(49)	(38)	(65)	(6)
Surplus for the year		11,090	666	16,087	145
Other comprehensive income					
Remeasurement of Local Government Pension Schemes	28	5,040	-	(3,029)	-
Remeasurement of Social Housing Pension Schemes	28	4,197	839	(7,727)	(1,500)
Remeasurement of the Reimbursement Asset	28	454	-	16	-
Total comprehensive income for the year		20,781	1,505	5,347	(1,355)

Turnover is derived from continuing activities.

The accompanying notes form part of these financial statements.

EAST MIDLANDS HOUSING GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Fixed assets					
Housing properties	14	928,359	-	883,812	-
Other tangible fixed assets	14	13,176	1,106	10,776	1,128
Investments	15	1,548	217	1,672	217
Investment in subsidiaries	16	-	93	-	93
HomeBuy loan receivable		5,194	-	5,554	-
Net book value fixed assets		948,277	1,416	901,814	1,438
Current assets					
Reimbursement Assets (including £744k due after 1 year)	28	882	-	526	-
Properties for sale and work in progress	17	15,366	-	14,902	-
Trade and other debtors (including £431k due after 1 year)	19	7,166	3,432	17,840	2,165
Investments	20	18,415	-	58,584	-
Cash and cash equivalents		44,896	1,401	31,816	1,048
Total current assets		86,725	4,833	123,668	3,213
Creditors: amounts falling due within one year	21	(43,588)	(4,083)	(26,882)	(2,955)
Net current assets		43,137	750	96,786	258
Total assets less current liabilities		991,414	2,166	998,600	1,696
Creditors: amounts falling due after one year	22	(746,665)	-	(764,786)	-
Provisions for liabilities					
Leave provision	27	(717)	(230)	(926)	(266)
Pension liability	28	(9,288)	(1,154)	(18,925)	(2,153)
Net assets/(liabilities)		234,774	782	213,963	(723)
Capital and reserves					
Called up share capital	29	-	-	-	-
Restricted reserves		742	-	753	-
Sinking fund		-	-	1,328	-
Revenue reserves		234,002	782	211,882	(723)
Total funds		234,744	782	213,963	(723)

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 28 July 2022 and were signed on its behalf by:

DAVID RUSSELL
Chairman

CHAN KATARIA
Chief Executive

JOANNE TILLEY
Secretary

EAST MIDLANDS HOUSING GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

GROUP	Called up share capital	Revenue reserve	Restricted reserve	Sinking fund	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021	-	211,882	753	1,328	213,963
Total comprehensive income for the period					
Surplus for the year	-	11,101	(11)	-	11,090
Transfers	-	1,328	-	(1,328)	-
Remeasurement of Pension Schemes	-	9,237	-	-	9,237
Remeasurement of the Reimbursement Asset	-	454	-	-	454
Balance at 31 March 2022	-	234,002	742	-	234,744
Balance at 1 April 2020	-	206,515	773	1,328	208,616
Total comprehensive income for the period					
Surplus for the year	-	16,107	(20)	-	16,087
Remeasurement of Pension Schemes	-	(10,756)	-	-	(10,756)
Remeasurement of the Reimbursement Asset	-	16	-	-	16
Balance at 31 March 2021	-	211,882	753	1,328	213,963

PARENT	Called up share capital	Revenue reserve	Restricted reserve	Sinking fund	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021	-	(723)	-	-	(723)
Total comprehensive income for the period					
Surplus for the year	-	666	-	-	666
Remeasurement of Pension Schemes	-	839	-	-	839
Balance at 31 March 2022	-	782	-	-	782
Balance at 1 April 2020	-	632	-	-	632
Total comprehensive income for the period					
Surplus for the year	-	145	-	-	145
Remeasurement of Pension Schemes	-	(1,500)	-	-	(1,500)
Balance at 31 March 2021	-	(723)	-	-	(723)

The accompanying notes form part of these financial statements.

EAST MIDLANDS HOUSING GROUP LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

GROUP	Note	2022 £'000	2021 £'000
Cashflows from operating activities			
Operating surplus for the year	3	31,831	37,898
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	13	18,338	17,356
Amortisation charges		436	335
Deferred government grants	3	(2,438)	(2,375)
Pensions costs less contributions payable	27	(631)	(1,154)
Corporation Tax		(72)	(65)
Net book value sales of other tangible fixed assets		14,668	15,471
(Increase) in stock		(465)	(1,329)
Decrease/(increase) in trade & other debtors		8,200	(4,279)
Increase/(decrease) in trade and other creditors		6,702	(10,722)
(Decrease)/increase in provisions and employee benefits		(210)	533
Net cash from operating activities		**76,359**	**51,669**
Cashflows from investing activities			
Interest received		42	62
Acquisition of tangible fixed assets		(75,396)	(63,201)
Proceeds from receipt of government grants		6,380	25,013
Capitalised development expenditure		(2,530)	(2,490)
Disposal of investment securities		124	134
Disposal/(purchase) of short term investments		40,169	(30,509)
Net cash from investing activities		**(31,211)**	**(70,991)**
Cashflow from financing activities			
Proceeds from new loan		(132)	49,361
Interest paid		(23,267)	(20,966)
Repayment of borrowings		(8,669)	(6,851)
Net cash from financing activities		**(32,068)**	**21,544**
Net change in cash and cash equivalents		13,080	2,222
Cash and cash equivalents at start of period		31,816	29,594
Cash and cash equivalents at end of period		**44,896**	**31,816**

The accompanying notes form part of these financial statements.

1 LEGAL STATUS

emh group is the trading name of East Midlands Housing Group Limited, incorporated under the Co-operative and Community Benefit Society Act 2014. The company registration number is IP030476. It is registered with The Regulator of Social Housing (registration number L4530). Its principal place of business is Memorial House, Stenson Road, Whitwick Business Park, Coalville and it is a Public Benefit Entity.

2 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Group and company are prepared in accordance with Financial Reporting Standard 102 - the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed later in this note.

Measurement convention

The financial statements are prepared on the historical cost basis.

Basis of consolidation

The financial statements consolidate the financial statements of the company and all subsidiary undertakings.

The subsidiary associations controlled by the Group, all of which are wholly owned, are as follows:
East Midlands Housing and Regeneration Limited
EMH Care & Support Ltd
Sharpes Garden Service Limited
Midlands Rural Housing and Village Development Association Limited
EMH Development Company Ltd
EMH Treasury plc

Going Concern - Group

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2022 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going Concern - Group (continued)
The board, after reviewing the group and company budgets for 2022/23 and the group's medium term financial position as detailed in the 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities of £190m which gives significant headroom for committed spend and other forecast cash flows that arise;
- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

The board believe the group and company has sufficient funding in place and expect the group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Classification of financial instruments by the Group
In accordance with FRS102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Groups own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Basic financial instruments
Tenant arrears, trade and other debtors
Tenants arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised costs using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors
Trade and other creditors are recognised initially at transaction price plus attributable costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Housing properties

Costs include the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated. The estimated useful lives are as follows:-

	years
Structure	80 - 125
Boilers	15 years
Kitchens	20 years
Windows and doors	30 years
Roofs	50 years
Bathrooms	30 years
Other components	30 years

Leasehold properties are depreciated over the useful lives above or the length of the lease, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant changes since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Non component works to existing properties

The amount of expenditure incurred, which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the statement of comprehensive income in the period in which it is incurred.

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowing specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Other tangible fixed assets
Other tangible fixed assets include those assets with an individual value in excess of £1,000.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Office furniture and equipment	10%-33%
Motor vehicles	25%
Computer equipment	25%
Improvements to occupied premises	10%
Office premises	2%

Social housing grant
Social housing grant is initially recognised at fair value as a long term liability, specifically as deferred grant income and released through the statement of comprehensive income as income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost. On disposal of properties, all associated social housing grant is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

HomeBuy
Under the HomeBuy scheme, the Group receives HomeBuy grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced by the Group meet the definition of concessionary loans and are shown as fixed assets investments on the statement of financial position. The HomeBuy grant provided by the government to fund all or part of a HomeBuy loan has been classified as deferred income under FRS 102 as a creditor due in more than one year.

In the event that the property is sold, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant is reclassified to RCGF when the loans are redeemed up to the amount of the original grant and to the extent the proceeds permit. The Group is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in value of the property the shortfall in proceeds is offset against the grant.

Properties held for sale and work in progress
Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through the statement of comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial assets is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in surplus. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus.

Fixed Assets

The Group’s internal controls are designed to identify where the value of property, plant and equipment and work in progress as held on the Statement of Financial Position is more than the lower of cost or net realisable value. Where there is evidence of impairment, fixed assets are written down to the recoverable amount, this is likely to be the value in use of the asset based on its service potential. Where an asset is currently deemed not to be providing service potential to the group, its recoverable amount is its fair value less costs to sell. The resulting impairment loss is recognized as expenditure in income and expenditure.

Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Group’s net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plans assets is deducted. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dated approximating to the terms of the Group’s obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the statement of comprehensive income.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)
The Group participates in 4 defined benefit plans as set out below:-

-The Pensions Trust Social Housing Pension Scheme
-Leicestershire County Council Pension Fund
-Derbyshire County Council Pension Scheme
-The NHS Pension Scheme

The Pensions Trust Social Housing Pension Scheme
The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from the assets of the Company. For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Pensions Trust Social Housing Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

Leicestershire County Council Pension Fund
The pension schemes assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating costs, finance items and other comprehensive income.

Derbyshire County Council Pension Scheme
The pension schemes assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating costs, finance items and other comprehensive income.

The NHS Pension Scheme
The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Reimbursement assets

Reimbursement assets are recognised when the Group is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation. The right to reimbursement is recognised as a separate asset. The asset is treated in the same way as the plan assets.

Termination benefits

Termination benefits are recognised when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event , that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary costs for the period of absence.

Taxation

Tax on the surplus or deficit for the year comprises current tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Segmental Reporting

For the purpose of segmental reporting, the chief operating decision maker (CODM) is considered to be the Board. In line with the segments reported to the CODM, the presentation of these financial statements and accompanied notes reflects the Group's management and internal reporting. The information reviewed within the management accounts to assess performance and make strategic decisions is consistent with and closely aligned to these financial statements. Segmental reporting is presented in Note 3 to the financial statements where information about income and expenditure attributable to the material operating segments are presented on the basis of the tenure type of the housing assets held by the Group. This is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, and the nature of the regulatory environment in which the Group operates.

Assets and liabilities are not reported by operating segment or tenure, other than housing properties which are split by tenure type and are shown in Note 14.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sale are recognised on practical completions. Other income is recognised as receivable on the delivery of the services provided.

Expenses

Operating Costs

Operating costs represent the costs and overheads associated with delivering the services rendered.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit as they accrue.

VAT

The group is VAT registered but a large proportion of its income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is included as a credit in the income and expenditure account.

Key Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the financial reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on the amounts recognised in the financial statements.

The recoverability of rent arrears and trade debtors

The estimate for rent arrears and trade debtors relates to the recoverability of the outstanding balances at the reporting date. For rental arrears experience shows that the longer a debt is outstanding the greater the likelihood that the debt will not be recovered in full. Based on this a provision for bad and doubtful arrears debts is estimated based on 50% of the value of current tenant arrears and 100% of former tenant arrears. Trade Debtors are reviewed on an individual balance basis and a provision created for bad and doubtful debts based on the on the age and likely recoverability of the debt.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Key Judgements, Estimates and Assumptions (continued)

Impairment of property values
Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at a scheme level whose cash income can be separately identified.

Factors taken into consideration in reaching the decision as to whether there are indicators of impairment of housing properties are;

- The development programme
- Government policy, regulation or legislation
- Demand
- Market Value
- Obsolesce

Triggers for impairment have been identified and an impairment review has been performed. Further detail is provided in Note 18.

Value of schemes in development
The Group capitalises development expenditure in accordance with the accounting policy earlier in this note. Initial capitalisation is based on management's judgement that the development scheme is confirmed, usually when board approval has taken place. In determining if an approved scheme is likely to cease, management monitors the development programme and considers if changes have occurred that result in an impairment.

Recoverability of Stock
Stock valuations are compared against market recoverability on a scheme by scheme basis. Where market valuations suggest that full recoverability is not viable and a loss on sale may be generated then the stock valuation is impaired to reflect this. Stock is therefore held at the lower of cost or net realisable value.

An impairment of stock has been carried out and further detail is provided in Note 18.

Defined benefit pensions liabilities
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plan, such estimates are subject to significant uncertainty. Further details are given in Note 28.

3 SOCIAL HOUSING - GROUP	Turnover	Operating costs / Cost of Sales	Operating surplus	Turnover	Operating costs / Cost of Sales	Operating surplus
		2022 £'000			2021 £'000	
Social housing lettings						
General needs	60,643	(43,716)	16,927	58,554	(40,566)	17,988
Supported housing and housing for older people	23,908	(19,283)	4,625	23,675	(17,549)	6,126
Low cost home ownership	6,092	(2,487)	3,605	5,398	(2,376)	3,022
	90,643	**(65,486)**	**25,157**	**87,627**	**(60,491)**	**27,136**
Other social housing activities						
Support activities	218	(241)	(23)	209	(162)	47
Sales of current asset properties	12,887	(11,317)	1,570	15,845	(11,995)	3,850
Other	2,038	(587)	1,451	2,782	(575)	2,207
	15,143	**(12,145)**	**2,998**	**18,836**	**(12,732)**	**6,104**
Total social housing	**105,786**	**(77,631)**	**28,155**	**106,463**	**(73,223)**	**33,240**
Non-social housing activities	5,174	(5,383)	(209)	5,446	(4,990)	456
Non housing activities	10,696	(11,792)	(1,096)	10,695	(9,926)	769
Total	**121,656**	**(94,806)**	**26,850**	**122,604**	**(88,139)**	**34,465**
Gain on disposal of tangible fixed assets			4,981			3,433
Operating surplus			**31,831**			**37,898**

3 SOCIAL HOUSING - GROUP	General needs	Supported housing and housing for older people £'000	Low cost home ownership	2022 Total £'000	2021 Total £'000
Rent receivable net of identifiable service charges	56,567	17,350	5,360	79,277	76,519
Service charges receivable	2,345	5,795	433	8,573	8,413
Net rents receivable	**58,912**	**23,145**	**5,793**	**87,850**	**84,932**
Amortised government grant	1,731	400	299	2,430	2,367
Other	-	363	-	363	328
Total income from lettings	**60,643**	**23,908**	**6,092**	**90,643**	**87,627**
Expenditure on lettings activities:					
Management	13,142	5,611	1,317	20,070	19,219
Services	3,226	5,184	407	8,817	7,996
Routine maintenance	12,644	4,764	53	17,461	14,034
Planned maintenance	1,675	495	(50)	2,120	2,803
Major repairs expenditure	7	-	-	7	-
Bad debts	386	157	(173)	370	525
Depreciation of housing properties	12,600	3,072	933	16,605	15,897
Other costs	36	-	-	36	17
Total expenditure on lettings	**43,716**	**19,283**	**2,487**	**65,486**	**60,491**
Operating surplus on lettings	**16,927**	**4,625**	**3,605**	**25,157**	**27,136**
Void losses	498	1,025	4	1,527	1,333

	Turnover	Operating costs / Cost of Sales	Operating surplus	Turnover	Operating costs / Cost of Sales	Operating surplus
		2022 £'000			2021 £'000	
3 SOCIAL HOUSING - PARENT						
Other social housing activities						
Support activities	13,700	(12,595)	1,105	12,343	(11,696)	647
	13,700	**(12,595)**	**1,105**	**12,343**	**(11,696)**	**647**
Total social housing	**13,700**	**(12,595)**	**1,105**	**12,343**	**(11,696)**	**647**
Deficit on disposal of tangible fixed assets			(38)			-
Operating surplus			**1,067**			**647**

4 HOUSING STOCK - GROUP	2022 Number	2021 Number
Social housing accommodation		
General needs rented	9,734	9,923
Affordable rented	2,051	1,826
Supported housing & housing for older people	4,451	4,360
Low cost home ownership	1,964	1,896
Managed on behalf of other landlords	1,301	1,274
Total social housing managed	19,501	19,279
Non-social housing managed		
Leaseholders	552	539
Freehold	344	305
Day care centres	4	4
Registered care bed spaces	47	47
Commercial	28	30
Total non-social housing managed	975	925
Total housing stock	**20,476**	**20,204**
Garages and other non-habitable units	935	935
Total units managed	**21,411**	**21,139**
Housing units in development pipeline	**1,139**	**802**

At 31 March 2022 the Group owned 148 units (2021: 134) which are managed by agents.

5 EXPENSES AND AUDITORS REMUNERATION	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
<u>Included in surplus are the following:</u>				
Depreciation of tangible fixed assets				
Housing properties	16,716	-	15,997	-
Other owned assets	1,622	488	1,359	458
Surplus/(deficit) of sale of fixed assets	4,981	(38)	3,244	-
Auditors' remuneration				
For the audit of the annual accounts	101	16	98	15
For other services	23	-	22	-
Operating lease payments				
Motor Vehicles	192	-	206	-
Office Equipment	-	-	6	6
Land and Buildings	201	136	212	135

6 STAFF NUMBER AND COSTS

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	GROUP 2022 Number	PARENT 2022 Number	GROUP 2021 Number	PARENT 2021 Number
Office staff	388	140	358	133
Wardens and caretakers	32	-	29	-
Care & Support Staff	406	-	375	-
Operatives	225	-	201	-
	1,051	140	963	133

	2022 £000	2022 £000	2021 £000	2021 £000
Staff costs for the above persons:				
Wages and salaries	29,624	5,751	28,946	5,674
Social security costs	2,791	632	2,646	607
Pension costs	2,342	349	2,073	341
Termination benefits	125	82	168	100
	34,882	6,814	33,833	6,722

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS

The total remuneration paid to the directors of the Group (the Board and Executive Management Team) was:

Emoluments (including pension contributions and benefits-in-kind) paid to:				
Executive Directors	859	859	874	874
Directors and Senior Staff	2,806	1,503	1,971	1,186
Board Members	109	96	95	87
	3,774	2,458	2,940	2,147

The emoluments of staff disclosed above (excluding pension contributions) include the amounts paid to:

The highest paid Director (the Chief Executive - Mr C Kataria)	208	208	194	194

The Chief Executive is an ordinary member of the closed Social Housing Pension Scheme (SHPS), multi-employer defined benefit scheme and a current member of the Social Housing Pension Scheme (SHPS), multi-employer defined contribution scheme. No enhanced or special terms apply.

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS (CONTINUED)

The number of directors and senior staff, including the highest paid director, who received emoluments (including pension contributions and compensation for loss of office) in the following ranges was:

	GROUP 2022 Number	PARENT 2022 Number	GROUP 2021 Number	PARENT 2021 Number
£60k-£70k	16	7	8	2
£70k-£80k	12	6	10	7
£80k-£90k	4	4	2	5
£90k-£100k	5	3	2	1
£100k-£110k	2	1	-	-
£110k-£120k	-	-	1	1
£120k-£130k	-	-	1	1
£130k-£140k	2	2	1	1
£140k-£150k	1	1	1	1
£150k-£160k	-	-	1	1
£160k-£170k	1	1	-	-
£200k-£210k	-	-	1	1
£210k-£220k	1	1	-	-

Emoluments disclosed include payments to all members of the Executive Management Team in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2019.

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
8 SURPLUS ON DISPOSAL OF OTHER FIXED ASSETS				
Disposal proceeds	8,708	-	6,216	-
Grant abated	46	-	236	-
Cost of disposals	(3,773)	(38)	(3,019)	-
	4,981	(38)	3,433	-
9 INTEREST RECEIVABLE AND OTHER INCOME				
Interest receivable from unlisted investments	40	22	61	22
10 INTEREST PAYABLE AND SIMILAR CHARGES				
On bank loans, overdrafts and other loans	23,119	-	24,027	-
On pension scheme liabilities	(3)	-	-	-
Less capitalised interest	(2,776)	-	(2,419)	-
	20,340	-	21,608	-

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
11 GIFT AID PAYMENTS / DONATION				
Amounts Paid to emh Housing & Regeneration Ltd	-	340	-	500
	-	340	-	500

A cash payment of £340k (2021: £500k) was made in the year to the subsidiary EMH Housing & Regeneration Ltd. As this is not a payment upwards to a parent it is treated as a donation in the accounts.

12 FINANCE INCOME AND COSTS

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Expected return on pension scheme assets	1,763	167	1,676	153
Interest on pension scheme liabilities	(2,155)	(212)	(1,875)	(171)
Net financing costs	(392)	(45)	(199)	(18)

13 TAXATION

Total tax expense recognised in the income and expenditure account, other comprehensive income and equity.

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Current tax				
Current tax on income for the period	52	41	65	6
Adjustments in respect of prior period	(3)	(3)	-	-
Total current tax	49	38	65	6
Total tax recognised in the income and expenditure account	49	38	65	6

Reconciliation of effective rate

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Surplus before taxation	11,139	704	16,152	651
Total tax expense	49	38	65	6
Tax using the UK corporation tax rate of 19% (2021: 19%)	2,478	134	3,595	124
Charitable exemption	(2,370)	-	(3,152)	-
Non-deductible expenses	105	96	97	88
Pension contribution allowances	16	26	8	25
Capital allowances	(158)	(150)	(122)	(105)
Trading losses offset	179	-	(54)	-
Group relief	-	-	(1)	(31)
Corporate interest relief	(92)	-	(40)	-
Gift aid / donation credit	(106)	(65)	(266)	(95)
Current tax expense included in the surplus	52	41	65	6

14 TANGIBLE FIXED ASSETS - GROUP

	Housing properties					Other tangible fixed assets					
	Under construction	Social housing letting	Low cost home ownership	Non-social housing	Total housing properties	Freehold Offices	Leasehold Office	Fixtures, Fittings & Equipment	Plant and Vehicles	Total other assets	Total fixed assets
Cost						£'000's					
1 April 2021	50,634	867,439	115,198	6,861	1,040,132	8,163	1,193	14,576	869	24,801	1,064,933
Additions	62,900	-	-	-	62,900	2,355	14	1,746	8	4,123	67,023
Replacement components	115	12,805	-	13	12,933	-	-	-	-	-	12,933
Schemes completed in the year	(49,113)	39,381	9,732	-	-	-	-	-	-	-	-
Transfers	-	(869)	869	-	-	-	-	-	-	-	-
Disposals	(11,467)	(3,544)	(2,350)	(8)	(17,369)	(64)	(28)	(5,078)	(12)	(5,182)	(22,551)
31 March 2022	53,069	915,212	123,449	6,866	1,098,596	10,454	1,179	11,244	865	23,742	1,122,338
Accumulated depreciation											
1 April 2021	-	143,738	7,669	1,787	153,194	3,220	194	9,972	639	14,025	167,219
Provision in the year	-	15,762	876	78	16,716	123	147	1,256	96	1,622	18,338
Transfers	-	(29)	29	-	-	-	-	-	-	-	-
Eliminated on disposal	-	(2,563)	(234)	(2)	(2,799)	(22)	(13)	(5,034)	(12)	(5,081)	(7,880)
31 March 2022	-	156,908	8,340	1,863	167,111	3,321	328	6,194	723	10,566	177,677
Impairment											
1 April 2021	-	1,379	1,430	317	3,126	-	-	-	-	-	3,126
31 March 2022	-	1,379	1,430	317	3,126	-	-	-	-	-	3,126
Net book value											
31 March 2022	53,069	756,925	113,679	4,686	928,359	7,133	851	5,050	142	13,176	941,535
31 March 2021	50,634	722,322	106,099	4,757	883,812	4,943	999	4,604	230	10,776	894,588

14 TANGIBLE FIXED ASSETS - GROUP (CONTINUED)	GROUP 2022 £'000	GROUP 2021 £'000
The net book value of housing properties comprises		
Freehold	907,273	862,461
Long leasehold	21,086	21,351
	928,359	883,812
Additions to housing properties incudes:		
Capitalised interest	2,776	2,419
(at the Group average borrowing rate)	4.45%	4.50%
Direct administration costs	2,280	2,394

There were no other fixed assets held under finance lease at the year-end (2021: £nil).

Other Fixed Assets - Parent	Leasehold Office £000	Fixtures, Fittings and Equipment £000	Total £000
Cost			
1 April 2021	27	5,726	5,753
Additions	-	505	505
Disposals	(27)	(4,036)	(4,063)
31 March 2022	-	2,195	2,195
Accumulated depreciation			
1 April 2021	12	4,613	4,625
Provision for the year	-	488	488
Disposals	(12)	(4,012)	(4,024)
31 March 2022	-	1,089	1,089
Net book value			
31 March 2022	-	1,106	1,106
31 March 2021	15	1,113	1,128

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
15 FIXED ASSET INVESTMENTS				
At 1 April	1,672	217	1,807	217
Transfer in year	(124)	-	(135)	-
At 31 March	1,548	217	1,672	217

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
16 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS				
At 31 March 2022 and 1 April 2021	-	93	-	93

The following are subsidiary undertakings of the Parent, all of which are wholly controlled:

Directly held

East Midlands Housing & Regeneration Limited
Registered Provider under Co-operative and Community Benefit Society Act 2014 (charitable)

EMH treasury plc
A company limited by shares for the issuance of bonds to the capital market.

EMH Care & Support Limited
Company Limited by Guarantee under the Charities Commission

Sharpes Garden Services Limited
A company limited by shares providing gardening services to the group.

Indirectly held

Midlands Rural Housing & Village Development Limited
Non- registered provider under Co-operative and Community Benefit Society Act 2014 (non-charitable)

EMH Development Company Ltd
A company limited by shares providing design and build services to the group.

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
17 PROPERTIES FOR SALE AND WORK IN PROGRESS				
Schemes developed for shared ownership disposal and outright sale	5,162	-	5,758	-
Schemes in development	10,204	-	9,144	-
	15,366	-	14,902	-

18 IMPAIRMENT OF HOUSING ASSETS

Housing Assets
During the year EMH Group carried out a desktop review of its property portfolio and identified no triggers for impairment.

Stock
During the year EMH Group also carried out a review of properties held as stock for sale and identified no properties where the market value was below the value of the stock.

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
19 TRADE AND OTHER DEBTORS				
Current tenant arrears	3,552	-	2,829	-
Less provision for bad and doubtful debts	(2,034)	-	(1,976)	-
Former tenant arrears	1,253	-	1,120	-
Less provision for bad and doubtful debts	(1,253)	-	(1,120)	-
Trade debtors	1,280	-	2,231	-
Less provision for trade debtors	(41)	-	(70)	-
Prepayments and accrued income	3,920	1,816	14,313	805
Other debtors	16	1	18	4
Taxation and social security	42	2	64	30
Loan to MOR Homes (all due after 1 year)	431	431	431	431
Amounts owed by group undertakings	-	1,182	-	895
	7,166	3,432	17,840	2,165
Due within one year	6,735	3,001	17,409	1,734
Due after more than one year	431	431	431	431
	7,166	3,432	17,840	2,165

20 CURRENT ASSETS INVESTMENTS

Bank deposits	18,415	-	58,584	-

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000

21 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Loans and overdrafts (see note 23)	18,389	-	6,007	-
Trade creditors	9,629	1,199	5,730	166
Rent received in advance	3,684	-	3,625	-
Accruals and deferred income	11,608	692	11,085	1,043
Corporation tax	52	41	65	6
Other creditors	224	-	368	14
Pension deficit contributions (see note 28)	2	-	2	-
Amounts due to group undertakings	-	2,151	-	1,726
	43,588	4,083	26,882	2,955

22 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Loans and overdrafts (see note 23)	473,812	-	494,771	-
Deferred government grants (see note 25)	259,156	-	256,577	-
Homebuy grant receivable	5,193	-	5,554	-
Recycled capital grant fund (see note 26)	8,503	-	7,876	-
Pension deficit contributions (see note 28)	1	-	8	-
	746,665	-	764,786	-

23 LOANS

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Bank loans	129,214	-	137,718	-
The Housing Finance Corporation	26,247	-	26,319	-
MOR Homes loan	37,500	-	37,500	
Pension Insurance Corporation PLC loan	100,000	-	100,000	-
Bond finance from emh treasury plc	199,240	-	199,241	-
	492,201	-	500,778	-

Loans are repayable at varying rates of interest in instalments due as follows:

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
In one year or less	18,389	-	6,007	-
Between one and two years	8,139	-	19,532	-
Between two and five years	37,377	-	25,455	-
In more than five years	428,296	-	449,784	-
	492,201	-	500,778	-

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2021 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2022 £'000
Cash and cash equivalents	31,816	13,080	-	44,896
Borrowings				
Debt due within one year	(6,007)	6,007	(18,389)	(18,389)
Debt due after one year	(494,771)	2,570	18,389	(473,812)
	(500,778)	8,577	-	(492,201)
Total Net Debt	(468,962)	21,657	-	(447,305)

25 DEFERRED GOVERNMENT GRANTS - GROUP

	Social housing grant £'000	Other government grant £'000	Total £'000
At 1 April 2021	242,035	14,542	256,577
Received in the year	5,766	330	6,096
Released to income in the year	(2,305)	(133)	(2,438)
Disposed in the year	(1,043)	(36)	(1,079)
At 31 March 2022	244,453	14,703	259,156

26 RECYCLED CAPITAL GRANT FUND - GROUP

	Recycled capital grant fund £'000
At 1 April 2021	7,876
Utilised during the year	(753)
Interest credited to the fund	17
Transferred to fund during the year	1,363
At 31 March 2022	8,503

27 PROVISIONS

	Leave Pay £000	Total £000
GROUP		
At 1 April 2021	926	926
Provisions made during the year	19	19
Provisions reversed during the year	(228)	(228)
At 31 March 2022	717	717
PARENT		
At 1 April 2021	266	266
Provisions reversed during the year	(36)	(36)
At 31 March 2022	230	230

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

28 EMPLOYEE BENEFITS

The Group operates four defined benefit pension schemes.

Summary of the movement on pension scheme liabilities for the year ended 31 March 2022

	The Pensions Trust - SHPS	The Pensions Trust - Growth Plan	Leicestershire County Council	Derbyshire County Council
		£'000		
Net liability at 1 April 2021	11,668	10	490	6,767
Actuarial loss in the period charged to the income & expenditure account	279	-	210	774
Actuarial loss in the period charged to other comprehensive income	(4,197)	(4)	(567)	(4,473)
Deficit contribution paid	(1,255)	(3)	(133)	(275)
Net liability/(asset) at 31 March 2022	6,495	3	-	2,793

28 EMPLOYEE BENEFITS (CONTINUED)

Summary of the movement on pension scheme liabilities for prior year ended 31 March 2021

	The Pensions Trust - SHPS	**The Pensions Trust - Growth Plan**	**Leicestershire County Council**	**Derbyshire County Council**
		£'000		
Net liability/(asset) at 1 April 2020	5,020	12	(97)	4,055
Actuarial loss in the period charged to the income & expenditure account	143	-	8	262
Actuarial (gain) in the period charged to other comprehensive income	7,727	-	579	2,450
Deficit contribution paid	(1,222)	(2)	-	-
Net liability/(asset) at 31 March 2021	11,668	10	490	6,767

The Pensions Trust - Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 31 March 2018, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 28 February 2023 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

GROUP	**2022 £'000**	**2021 £'000**
Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)		
Fair value of plan assets	46,658	43,494
Present value of defined benefit obligation	(53,153)	(55,162)
Defined benefit (liability)/asset to be recognised	(6,495)	(11,668)
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	55,162	42,512
Expenses	37	37
Interest expense	1,194	999
Actuarial losses (gains) due to scheme experience	3,079	2
Actuarial losses (gains) due to changes in demographic assumptions	(802)	191
Actuarial losses (gains) due to changes in financial assumptions	(4,302)	12,072
Benefits paid and expenses	(1,215)	(651)
Defined benefit obligation at end of period	53,153	55,162
Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	43,494	37,492
Interest income	952	893
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	2,172	4,538
Contributions by the employer	1,255	1,222
Benefits paid and expenses	(1,215)	(651)
Fair value of plan assets at end of period	46,658	43,494

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £3,342,000

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

	2022 £'000	2021 £'000
Defined benefit costs recognised in statement of comprehensive income (SOCI)		
Expenses	37	37
Net interest expense	242	106
Defined benefit costs recognised in statement of comprehensive income (SoCI)	279	143
Defined benefit costs recognised in other comprehensive income		
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	2,172	4,538
Experience gains and losses arising on the plan liabilities - (loss)/gain	(3,079)	(2)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)/gain	802	(191)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	4,302	(12,072)
Total amount recognised in other comprehensive income - gain (loss)	4,197	(7,727)
Assets		
Global Equity	8,954	6,932
Absolute Return	1,872	2,401
Distressed Opportunities	1,670	1,256
Credit Relative Value	1,551	1,370
Alternative Risk Premia	1,539	1,638
Fund of Hedge Funds	-	4
Emerging Markets Debt	1,358	1,756
Risk Sharing	1,536	1,583
Insurance-Linked Securities	1,089	1,045
Property	1,260	903
Infrastructure	3,323	2,900
Private Debt	1,196	1,037
Opportunistic Illiquid Credit	1,567	1,105
High Yield	402	1,302
Opportunistic Credit	165	1,192
Cash	159	-
Corporate Bond Fund	3,113	2,571
Liquid Credit	-	520
Long Lease Property	1,200	852
Secured Income	1,739	1,809
Liability Driven Investment	13,018	11,054
Currency Hedging	(182)	-
Net Current Assets	129	264
Total assets	46,658	43,494

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

Key Assumptions

	2022 % per annum	**2021 % per annum**
Discount Rate	2.79	2.19
Inflation (RPI)	3.54	3.26
Inflation (CPI)	3.17	2.87
Salary Growth	4.17	3.87
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but given the current level of uncertainties, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

Reimbursement Asset

The Social Housing Pension Scheme provided by Midlands Rural Housing Association (a subsidiary of EMH Group) is for staff employed under a joint employment contract with the 4 rural associations for which it provides services. A legal agreement is in place between the 5 entities which sets out how the pension costs of those jointly employed staff will be met by each entity.

In line with this agreement the 4 rural associations therefore have a liability for their share of the deficit contribution payments arising under the plan. Under FRS102 Section 21 this creates a reimbursement asset between Midlands Rural Housing (and therefore EMH Group) and the 4 rural associations. This is separately declared within the Statement of Financial Position on the following basis:

28 EMPLOYEE BENEFITS (CONTINUED)

Reimbursement Asset (continued)

	2022 £'000	2021 £'000
At 1st April	526	607
Payment received	(99)	(97)
Change in debtor	455	16
At 31st March	882	526

Split to Rural Housing Associations

Warwickshire Rural Housing Association	327	195
Northampton Rural Housing Association	347	207
Peak District Rural Housing Association	158	94
Leicestershire Rural Housing Association	50	30
Total pension debtor	882	526

Movement in the year included in Other Comprehensive Income - Remeasurement of Social Housing Pension Scheme

Change in Debtor	455	16
	455	16

PARENT

Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)

Fair value of plan assets	8,270	7,593
Present value of defined benefit obligation	(9,424)	(9,746)
Defined benefit (liability)/asset to be recognised	(1,154)	(2,153)

Reconciliation of opening and closing balances of the defined benefit obligation

Defined benefit obligation at start of period	9,746	7,286
Expenses	8	8
Interest expense	212	171
Actuarial losses (gains) due to scheme experience	561	62
Actuarial losses (gains) due to changes in demographic assumptions	(139)	33
Actuarial losses (gains) due to changes in financial assumptions	(787)	2,279
Benefits paid and expenses	(177)	(93)
Defined benefit obligation at end of period	9,424	9,746

Reconciliation of opening and closing balances of the fair value of plan assets

Fair value of plan assets at start of period	7,593	6,450
Interest income	167	153
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	474	874
Contributions by the employer	213	209
Benefits paid and expenses	(177)	(93)
Fair value of plan assets at end of period	8,270	7,593

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £641,000.

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

	2022 £'000	2021 £'000
Defined benefit costs recognised in statement of comprehensive income (SOCI)		
Expenses	8	8
Net interest expense	45	18
Defined benefit costs recognised in statement of comprehensive income (SoCI)	53	26
Defined benefit costs recognised in other comprehensive income		
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	474	874
Experience gains and losses arising on the plan liabilities - (loss)/gain	(561)	(62)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)/gain	139	(33)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	787	(2,279)
Total amount recognised in other comprehensive income - (loss)/gain	839	(1,500)
Assets		
Global Equity	1,587	1,210
Absolute Return	332	419
Distressed Opportunities	296	219
Credit Relative Value	275	239
Alternative Risk Premia	273	286
Fund of Hedge Funds	-	1
Emerging Markets Debt	241	307
Risk Sharing	272	276
Insurance-Linked Securities	193	182
Property	223	158
Infrastructure	589	506
Private Debt	212	181
Opportunistic Illiquid Credit	278	193
High Yield	71	227
Opportunistic Credit	29	208
Cash	28	-
Corporate Bond Fund	552	449
Liquid Credit	-	91
Long Lease Property	213	149
Secured Income	308	316
Liability Driven Investment	2,307	1,930
Currency Hedging	(32)	-
Net Current Assets	23	46
Total assets	8,270	7,593

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

Key Assumptions

	2022 % per annum	**2021 % per annum**
Discount Rate	2.79	2.20
Inflation (RPI)	3.51	3.25
Inflation (CPI)	3.16	2.87
Salary Growth	4.16	3.87
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme’s benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but given the current level of uncertainties, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

The Pensions Trust - The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - The Growth Plan (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions	
From 1 April 2022 to 31 January 2025:	£3.312m per annum (payable monthly)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.55m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions	
From 1 April 2019to 30 September 2025:	£11.243 per annum (payable monthly and increasing by 3.0% each year on 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

GROUP	**2022** **£'000**	**2021** **£'000**
Present Value of provision		
Present value of provision at period end	3	10
-		
Reconciliation of opening and closing provisions		
Provision at start of period	10	12
Deficit contribution paid	(3)	(2)
Remeasurement - impact of any change in assumptions	(4)	-
Provision at the end of period	3	10
Income and expenditure impact		
Remeasurement - impact of any change in assumptions	(4)	-

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - The Growth Plan (continued)

	2022	2021
Assumptions - Group		
Rate of discount per annum	2.35%	0.66%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield to discount the same recovery plan contributions.

Local government pension schemes

The Group also participates in two Local Government Pension Scheme; administered by Leicestershire County Council and Derbyshire County Council. The Local Government Pension Schemes are defined benefit scheme and are contracted out of the state scheme.

	Leicestershire County Council		Derbyshire County Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Fair value of employer assets	7,632	6,784	35,935	34,194
Present value of funded liabilities	(6,971)	(7,274)	(38,663)	(40,892)
Net underfunding in funded plans	661	(490)	(2,728)	(6,698)
Present value of unfunded liabilities	-	-	(65)	(69)
Restriction of pension fund surplus	(661)	-	-	-
Net (liability)/asset	-	(490)	(2,793)	(6,767)

The Leicestershire County Council scheme is in a net asset position. As this net asset is not material and it is not expected that it is recoverable, then it has been capped to nil. It is possible that this surplus could be recognised in future accounting periods. The effects of this restriction are noted below.

Reconciliation of defined benefit obligations				
Opening value of funded liabilities	7,274	5,398	40,892	32,870
Opening value of unfunded liabilities	-	-	69	71
Current service cost	199	155	635	451
Interest cost on obligations	147	125	814	751
Members contributions	27	28	84	86
Benefits paid	(103)	(118)	(1,163)	(1,021)
Unfunded benefits paid	-	-	(4)	(13)
Changes in financial assumptions	(547)	1,646	(2,444)	7,641
Changes in demographic assumptions	(37)	86	(235)	490
Other experience	11	(46)	80	(365)
Closing value of funded liabilities	6,971	7,274	38,663	40,892
Closing value of unfunded liabilities	-	-	65	69

28 EMPLOYEE BENEFITS (CONTINUED)

Local government pension schemes (continued)

	Leicestershire County Council		Derbyshire County Council	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Reconciliation of fair value of plan assets				
Opening fair value of plan assets	6,784	5,495	34,194	28,877
Interest on assets	136	127	675	656
Members contributions	27	28	84	86
Employers contributions	133	145	271	280
Benefits paid	(103)	(118)	(1,163)	(1,021)
Unfunded benefits paid	-	-	(4)	(4)
Contributions in respect of unfunded benefits paid			4	4
Return on assets excluding net interest	655	1,107	1,874	5,316
Closing fair value of plan assets	7,632	6,784	35,935	34,194
Expenses recognised in the income and expenditure account				
Current service cost	199	155	635	451
Interest cost	11	(2)	139	95
Contributions in respect of unfunded benefits paid	-	-	-	(4)
Expected return on employer assets	-	(145)	-	(280)
Total pension costs recognised in the income and expenditure account	210	8	774	262
Amounts recognised in other comprehensive income				
Changes in financial assumptions	(547)	1,646	(2,444)	7,641
Changes in demographic assumptions	(37)	86	(235)	490
Other experience	11	(46)	80	(365)
Return on assets excluding interest	(655)	(1,107)	(1,874)	(5,316)
Restriction of pension fund surplus	661	-	-	-
Total amounts recognised in other comprehensive income	(567)	579	(4,473)	2,450
Reconciliation of the effect of the restriction on pension fund surplus				
Net asset ceiling at 1 April 2021	-	-	-	-
Restriction of pension fund surplus	661	-	-	-
Net asset ceiling at 31 March 2022	661	-	-	-

28 EMPLOYEE BENEFITS (CONTINUED)

Local government pension schemes (continued)

	Leicestershire County Council		Derbyshire County Council	
	2022	2021	2022	2021
The estimated split of plan assets at each period end is as follows:				
Equities	59%	61%	65%	63%
Bonds	29%	26%	23%	23%
Property	8%	7%	8%	8%
Cash	4%	6%	4%	6%
	100%	100%	100%	100%

Principal actuarial assumptions at the year-end were as follows:

Inflation/pension increase rate	3.2%	2.9%	3.2%	2.9%
Salary increase rate	3.7%	3.4%	3.9%	3.6%
Discount rate	2.7%	2.0%	2.7%	2.0%

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	Female	Male	Female
	Years		Years	
Current pensioners	21.5	24.0	21.1	23.8
Future pensioners	22.4	25.7	22.2	25.6

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits pre-April 2008 service and 75% of the maximum tax-free cash post-April 2008 service.

The last full actuarial valuation of the both the DCC scheme and the LCC scheme were performed on 31 March 2019. The Association expects to contribute £271,000 to the DCC scheme and £137,000 to the LCC scheme in the period to 31 March 2023.

28 EMPLOYEE BENEFITS (CONTINUED)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Leicestershire County Council		Derbyshire County Council	
Change in assumptions at 31 March 2022	**Approx. % increase to employer liability**	**Approx. monetary amount (£'000)**	**Approx. % increase to employer liability**	**Approx. monetary amount (£'000)**
0.1% decrease in real discount rate	2%	149	2%	670
1 year increase in member life expectancy	4%	279	4%	1,549
0.1% increase in salary increase rate	0%	25	0%	61
0.1% increase in pension increase rate (CPI)	2%	123	2%	603

The Leicestershire County scheme is in a net surplus position. It is not expected that this surplus would be refunded so it has not been shown as recoverable. The net assets have therefore been capped to a nil position and this gain has not been recognised.

29 CALLED UP SHARE CAPITAL

At 31 March 2022, the Group had 7 ordinary shares (2021: 7) in issue, with each share having a nominal value of £1. The shares have no rights to dividends nor to any share of the assets of the Group in the event of it ceasing to operate.

30 OPERATING LEASES	**GROUP 2022 £000**	**PARENT 2022 £000**	**GROUP 2021 £000**	**PARENT 2021 £000**
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	192	-	311	135
Between one and five years	34	-	694	539
	226	-	1,005	674

During the year the group recognised £399k (2021: £423k) and the parent recognised £136k (2021: £140k) as an expense in the income and expenditure account in respect of operating leases.

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
31 CAPITAL COMMITMENTS				
Capital expenditure that has been contracted for but has not been provided for in the financial statements	100,892	-	94,195	-
Sources of Funding				
Government Grants	5,476	-	10,097	-
Working Capital	43,934	-	73,013	-
Secured & Available Facilities	51,482	-	11,085	-
Capital expenditure that has been authorised by the Board of Management but has yet been contracted for	142,610	-	92,098	-
Sources of Funding				
Government Grants	11,625	-	8,465	-
Secured & Available Facilities	130,985	-	83,633	-

32 RELATED PARTY TRANSACTIONS

Within the boards of the Group, there were no board members or shareholders at 31 March 2022 who were tenants of the Association during the year. Tenant Board and committee members are charged and required to pay rent on standard terms.

During the year emh group (parent) had the following intercompany recharge transactions with regulated and non-regulated entities within the emh group.

	PARENT 2022 £000	PARENT 2021 £000
Sales to:		
emh Housing & Regeneration Limited	12,173	11,355
emh Care & Support Ltd	1,220	863
Sharpes Garden Services Ltd	6	5
emh Development Company Ltd	239	91

Sales to subsidiaries are management costs and overheads charged using an activity based apportionment method. These charges are made at cost plus a margin.

Purchases from:		
emh Housing & Regeneration Limited	135	135

Purchases from emh Housing and Regeneration are rental charges for an office building. These charges are made at an arm's length commercial rate.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

At the end of the year emh group (parent) had the following intercompany balances with regulated and non- regulated entities within the emh group.

	GROUP 2022 £000	PARENT 2022 £000	GROUP 2021 £000	PARENT 2021 £000
Debtors				
emh Care & Support Limited		21		14
Midlands Rural Housing		261		25
emh Sharpes		19		-
emh treasury plc		865		856
emh Development Company Ltd		16		-
Creditors				
emh Housing & Regeneration Limited		2,150		1,722
emh Care & Support Limited		-		1
emh Sharpes		1		3