East Midlands Housing Group Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021

EAST MIDLANDS HOUSING GROUP LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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BOARD MEMBERS, EXECUTIVE, ADVISORS AND BANKERS

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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

Andrew Kilby
Executive Director- Finance
(retired March 2021)

Geoff Clarke
Executive Director – Finance
(from January 2021)

Jo Tilley
Executive Director – Corporate Services

Chris Jones
Executive Director- Development

Chris Ashton
Executive Director – Housing

Jo Grainger
Executive Director – Care & Support

PRINCIPAL BANKER

Barclays Bank Plc
Leicester
Leicestershire
LE87 2BB

AUDITOR

KPMG LLP
One Snow Hill
Queensway
Birmingham
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SECRETARY & REGISTERED HEAD OFFICE

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Memorial House
Whitwick Business Park
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Coalville
Leicestershire
LE67 4JP

EAST MIDLANDS HOUSING GROUP LIMITED
YEAR AT A GLANCE

FOR THE YEAR ENDED 31 MARCH 2021

[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

EAST MIDLANDS HOUSING GROUP LIMITED
STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Board of East Midlands Housing Group Limited is pleased to present its financial statements for the year ended 31 March 2021. The Group comprises the parent company and wholly owned subsidiaries as set out below.

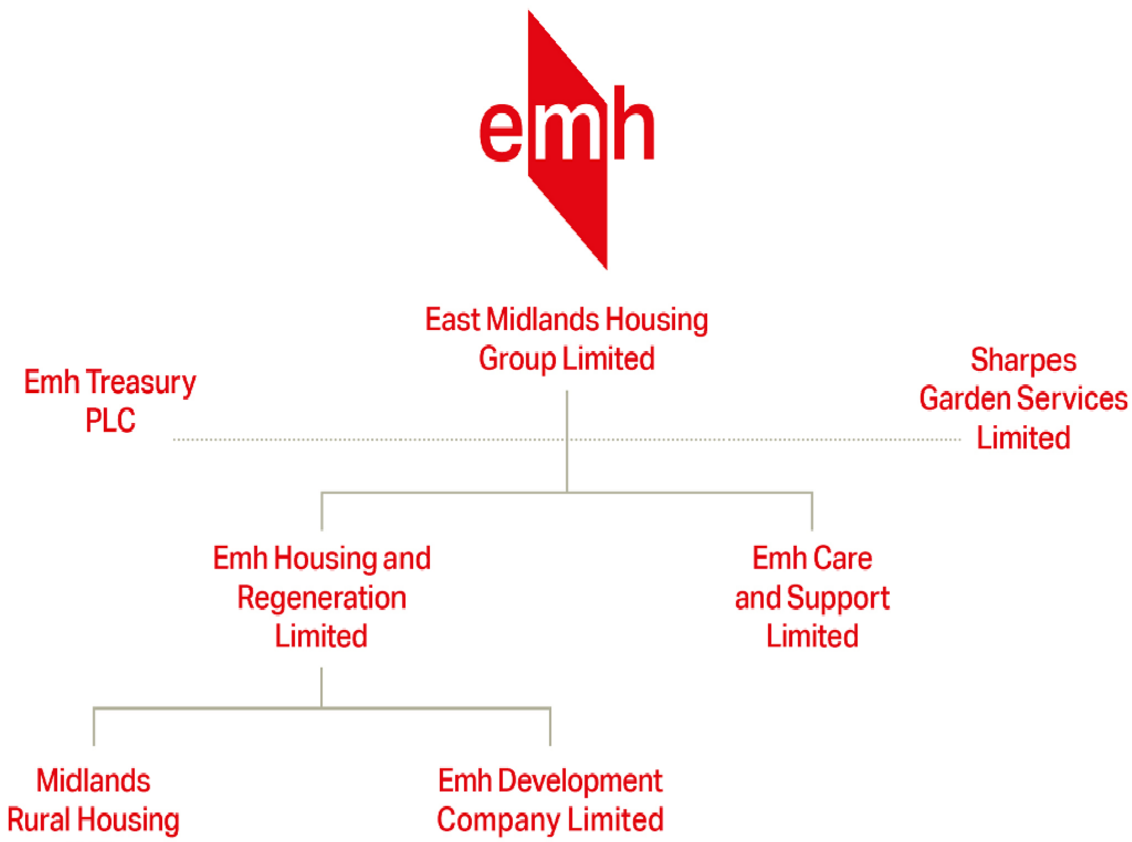
Background

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

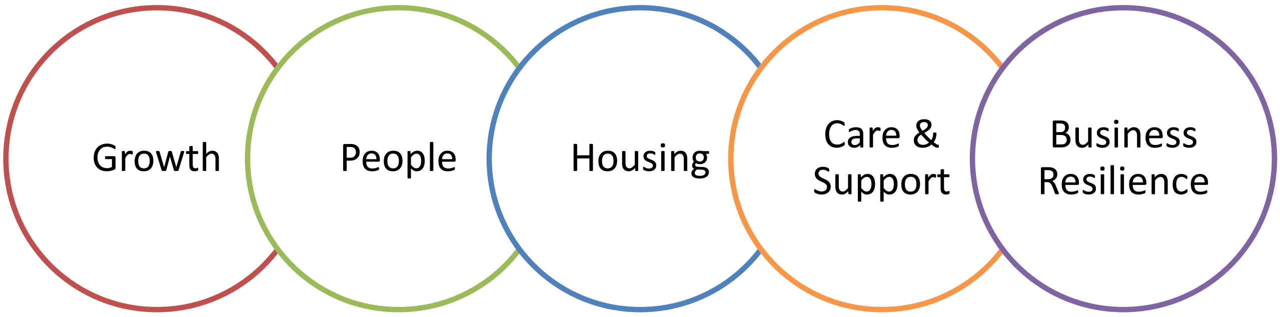
The Group strives to "**provide housing and care to improve opportunities for people**". This is underpinned by our corporate values: -

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 in the country**" by 2023. A range of metrics have been developed to measure our journey towards the vision.

Our latest Strategic Business Plan has been reviewed and updated. The Board, in conjunction with our key stakeholders including our customers and staff have identified 5 key themes which are the golden thread that runs through all of our objectives and projects and link back to our corporate mission and vision.



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 requirement;
   - 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;
   - 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;
   - Actively pursue new growth and funding opportunities emerging from East Midlands regional economic activity such as HS2; the East Midlands Airport Freeport; the Government's Levelling Up agenda and Plan for Growth.

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 implement an Organisation Development programme to develop a culture that celebrates diversity, empowers staff, embraces change and manages and values talent;
   - We will review our rewards and recognition frameworks to ensure we attract and retain staff;
   - We will refine and continue to roll out our Learning and Development Strategy;
   - We will implement our approach to talent management and succession planning;
   - We will expand our Academy offering a range of options for people wishing to pursue work-based qualifications, traineeships and apprenticeships;
   - We will actively promote the health and wellbeing of our colleagues and continue to refine our approach through feedback;
   - We will refresh the skills and diversity of the Board to align to the current and future operating environment;

Future Plans (continued)

- We will explore initiatives to overcome barriers to employment, especially for younger people and people with disabilities;
- Further develop our inclusive working practices focusing on promoting psychological safety at work;
- We will review and refresh our HR strategy.

3. Housing and Neighbourhood Services

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 establish high performing, highly effective estate services and community development services;
- We will maximise our impact in alleviating homelessness through the implementation of our homelessness strategy including working with local authorities on Housing First initiatives;
- We will increase resident engagement, customer insight and feedback opportunities;
- We will develop a strategy for the future of the older persons' housing stock, neighbourhood and support services;
- We will ensure that the highest standards of safe working practices, ensuring our homes and communities are safe places to live and work;
- We will increase the use of customer information to target and improve services, thus achieving top quartile satisfaction;
- We will increase efficiency outputs by providing more digitally accessible customer services;
- We will develop our In-house Maintenance Service to be an effective, productive business unit;
- Undertake a review of our Stock Investment Strategy including zero carbon solutions;
- Develop a place shaping/community development strategy targeting areas of high antisocial behaviour/low satisfaction;
- Review service deliver structures and accountabilities in response to the Social Housing White Paper.

4. Care and Support

To deliver a clear vision and strategy for our Care and Support arm that delivers "outstanding" services to the people that we support

- We will expand our care and support services including:
  - Appraising existing services to determine which we are best placed to support going forward;
  - Expanding the range and geography of the services we provide;
  - Working with emh homes to integrate our housing and care services to provide a holistic support solution for customers;
- We will deliver outstanding care and support services as judged by our regulator and customers;
- We will actively seek opportunities to diversify our income streams;
- We will actively promote career opportunities in social care to realise a fully recruited dedicated team.

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 provide sufficient funding to meet growth objectives and provide liquidity; maintaining our financial strength with sufficient financial headroom;
- We will retain our A+ rating from Standard and Poor's;
- We will introduce new cost targets for Value for Money ensuring the growth in unit costs are below the anticipated level of inflation;

Future Plans (continued)

- We will manage and maintain our housing assets to maximise their performance and minimise their carbon emissions;
- We will fully embed our renewed approach to Risk Management and Assurance, including our audit processes, risk map and control systems;
- We will invest in digital solutions that enable us to effectively manage, shape and improve performance of key services;
- Undertake a performance information review across the business, ensuring we have appropriate systems and tools to produce highly effective reporting and performance management information to support delivery of business objectives.
- Undertake a governance structure review in response to the Social Housing White Paper and to strengthen compliance with the NHF Code of Governance 2020 and our Together with Tenants commitments.

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 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.

Customer engagement plays a vital role in shaping the future of the Group. 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 on-line opportunities for resident engagement appeal to a wider demographic and therefore the views given represent a wider cross-section of our customer base. During 2020-21 we benefited from over 528.5 hours of scrutiny panel members' time, (this is less than during normal years as we changed to a digital model in order to continue activity during the Covid-19 pandemic). We also increased the number of engaged residents to 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 *£8,081*	◆				4/4
Gail Puttock *£8,081*	◆				4/4
Tim Brown *£8,081*	◆	◆ **Chair**			4/4
Vandna Gohil *£8,081*	◆				4/4
Jim Holden *£9,190*	◆ **Vice-Chair**				4/4
Christopher Hobson *£9,190*	◆				4/4
Chan Kataria *Paid as an executive*	◆				4/4
Patricia McCabe *£8,081*	◆			◆ **Chair**	4/4
David Russell *£17,789*	◆ ***Chair***		◆ ***Chair***		4/4

Business Review and Operating Environment

We are facing unprecedented changes to our operating environment, changes that have and will 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 Bill is anticipated to have major financial and practical consequences for the Residential Housing Sector. And of course, the long-term impact of dealing with the Covid-19 pandemic will see us continue to take all measures required by Government to safeguard our customers and staff. The newly published 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, focusing on the key themes of accountability to stakeholders, including residents and other customers; equality, diversity and inclusion in governance; and environmental sustainability.

A Global pandemic has seen the way we work, how we care for our customers, how we provide our services, and how we interact with our colleagues, friends and families change dramatically. We recognise the challenges our colleagues have faced, particularly those working on the front line in care and support, customer services, our in-house maintenance service and neighbourhood teams. Their devotion to supporting our most vulnerable residents and service users and responding to the changes we have had to make has been remarkable. Our residents and service users have been supportive and patient in adapting to the changes.

emh group continues to be a leading housing and care business across the East Midlands region. We believed that Covid-19 would have a detrimental impact on our income collection, lettings, development completions and sales. However due to hard work and dedication of our Income team we have improved upon our arrears target of 3.50% achieving 3.14% at year end. We have also seen strong property sales continue as the market remains buoyant. Our costs to deliver care and support service have increased, particularly in relation to agency staffing and PPE costs

Business Review and Operating Environment (continued)

during these testing times. Whilst partial funding has been available to negate some of these costs future funding streams are unknown. The pandemic has impacted our development programme, delaying completions which will take a few years to get back on track. The impact of the COVID19 pandemic on our finances has been minimal for the year to March 2021. This has shown the resilience of emh and the benefits of our proactive approach to rent collection and cost control. We will continue to monitor and offer support to our vulnerable residents and service users, who may be affected by the scheduled ending of furlough and other residual consequences of the pandemic. We have been able to maintain good performance during the year to March 2021 , maintaining low rent arrears levels and deploying our financial and people resources effectively to enable us to respond to the needs of our residents and service users.

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. Research published in early 2021 suggests that a total of 340,000 homes each year until 2031is the minimum needed to meet current housing needs. 145,000 of these new homes must be affordable homes. Having been in operation for 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 our 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 to build sustainable communities. Our development programme is also changing as we undertake more land-led schemes alongside the traditional S106 and package deals following the incorporation of emh Development Company Limited.

The latest figures published by the Ministry of Housing, Communities and Local Government estimates that following the introduction of the Everyone In initiative in March 2020, in response to the Covid-19 pandemic, the number of rough sleepers in the East Midlands has decreased significantly. This is a positive step however we have a strong commitment to eliminating homelessness in our region. We are pleased to have grown this vitally important work by partnering with 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.

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. Having delivered a surplus exceeding target in 2020-21 we remain under increasing pressures due to the care crisis and are working hard to ensure that all of our services are financially viable whilst maintaining a safe and effective service. We have been successful in expanding our operations into Northamptonshire with the provision of care and support services at two extra care schemes. Having opened Wrights Court, a specialist extra care scheme for a cross section of younger and older people with support and care; and, our partnership for 14 units with support provision for homeless single people and couples in Leicester City, our care business goes from strength to strength. In September 2021 we will open our flagship extra care scheme in Ashby de la Zouch providing shared ownership and rented homes for those with care and support needs.

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, although impacted by Covid-19, did not face viability concerns. We remain strong and in January 2021 had our A+ stable rating confirmed by Standard & Poors. Our surpluses exceeded predictions and we remain well ahead of our covenants. Our future ambitions are well on track.

Business Review and Operating Environment (continued)

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

- Inside Housing Top 50 Builders 2020 (No. 35);
- East Midlands Energy Efficiency Awards 2020 - Regional Housing Association/Landlord of the Year;
- East Midlands Energy Efficiency Awards 2020 – Regional Small-Scale Project of the Year;
- East Midlands Energy Efficiency Awards 2020 – ‘Highly Commended’ in the Large-Scale Project of the Year;
- East Midlands Energy Efficiency Awards 2020 – ‘Highly Commended’ in the Regional Vulnerable Customer Support Campaigner of the Year;
- East Midlands Property Awards 2020 – Finalist for Skills and Apprenticeship Scheme;
- The BAME Apprenticeship Awards 2020 – Winner Chantel Fry ‘Charity, Voluntary and Public Sector’ category;
- East Midlands Chamber Leicestershire Business Awards 2020 – Finalist Steffan Beange for ‘Apprentice of the Year’ category;
- TPAS Awards 2020 - Finalist, Excellence in Engagement in Support and Care Award.

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.
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*	✓ 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 highly 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)	
Impact of pandemic on organisation, staff, residents and service users *Impact on business-critical functions resulting in an inability to deliver internal and external services. Pandemic claims against the organisation and lack of insurance cover against claims.*	✓ Close monitoring and implementation of Government guidelines; ✓ Business Continuity Process and procedures in place; ✓ Staff and residents and service users are signposted to follow government guidelines; ✓ Offices closed with only essential staff working from offices; ✓ Coronavirus team established; ✓ Regular communication with staff; Review of staff sickness and impact on service delivery.
Loss of ICT systems, cyber security and data governance *Loss of data or disruption to ICT service as a result cyber-attacks. Erroneous data leading to data integrity issues.*	✓ 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.
PEOPLE AND ORGANISATIONAL DEVELOPMENT	
Ineffective governance *Weaknesses in the skills or diversity of the board leading to failure to appropriately drive the organisation's social purpose, mission, values and ambitions or to embed resident focus in its decision making, and safeguard the reputation and long term financially 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.
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.**

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*	✓ 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 have introduced People Planner and staff KPI's.
HOUSING AND NEIGHBOURHOODS	
Competing demands on funding resulting in inability to adequately invest in existing homes to meet customer/investor expectations and zero carbon targets. *Lack of robust Asset management Strategy, delivery of maintenance programmes leading to deterioration of stock, lower customer satisfaction*	✓ 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.
Dissatisfaction amongst customer and partner agents with the quality of our services and partnership working *Poor customer satisfaction levels that lead to reputational damage and higher turnover of properties*	✓ 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.

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 and assurance culture is further supported by compliance with the 2016 National Housing Federation's Code of Governance as at March 2021. The Group have then adopted the 2020 National Housing Federation's Code of Governance. The Group Board has overall responsibility for ensuring that a sound and comprehensive system of internal controls exists across the group and for reviewing its effectiveness. Control systems have been designed to proactively manage, rather than eliminate, the risks of failure to achieve business objectives and provide reasonable, but not absolute assurance against misstatement or loss.

The Group Chief Executive and Executive 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 2020-21

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 2021 £millions	31 March 2020 £millions
INCOME AND EXPENDITURE		
Turnover	122.6	111.1
Operating costs & cost of sales	(88.1)	(78.9)
Sales of other fixed assets	3.4	9.1
Operating surplus	**37.9**	**41.3**
Operating margin	**31%**	**37%**

Our operating surplus for the year was £37.9m, generating an operating margin of 37%. Although £3.4m lower than 2020 this is a healthy result with the reduction largely driven by lower property sales in year following the cessation of the VRTB pilot.

The operating margin on our social housing lettings activities was £27.1m, £0.7m lower than in the prior year. Whilst the increased unit numbers have generated additional income in year there has been continuing further investment in our maintenance service and estate costs.

The operating surplus of £6.1m on other social housing activities is significantly higher than in the previous year. Favourable surpluses on the sale of first trance shared ownership sales and additional support income in relation to Covid-19 have driven this increase.

Our analysis of care and support income and costs has highlighted that whilst the margins on our care activities remain low, we still achieved our target of at least a 5% margin on these activities and the overall surplus of £1.m is comparable with prior years despite the current climate.

Achievements in 2020-21 (continued)

Financial Performance (continued)

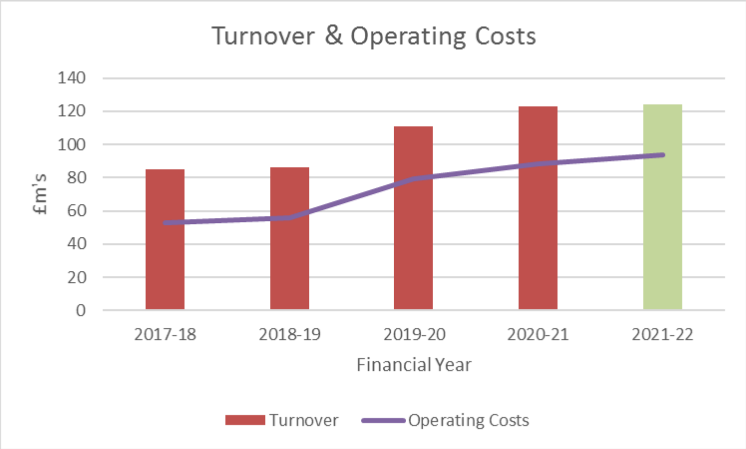
Year ended	31 March 2021 £millions	31 March 2020 £millions
STATEMENT OF FINANCIAL POSITION		
Housing properties less depreciation	884	848
Other tangible fixed assets	18	19
Total tangible fixed assets	**902**	**867**
Net current assets	97	52
Long-term loans & liabilities	(785)	(710)
Net assets	**214**	**209**
Revenue & other reserves	**214**	**209**
Increase in housing property cost	**7.5%**	**7.5%**
Number of units in management	**21,139**	**20,820**
Interest cover	**156%**	**198%**
Interest cover excluding depreciation	**228%**	**270%**
Gearing	**53%**	**50%**

Total tangible fixed assets increased by £35m 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. Despite our ongoing commitment in these areas spend is lower than the prior year due to the impacts of the global pandemic.

Net current assets increased significantly in year, a growth of £45m; cash balances decreased to £90m at the year end with two thirds of this invested with UK banking institutes.

Borrowing increased by £44m to £501m, following a drawdown of £50m made with PIC. Our pension deficit liabilities increased during the year. The fair value of the plan assets has increased. However, the present value of defined benefit obligations has increased substantially more than the assets increase due to changes in financial assumptions, demographic assumptions and other assumptions. The discount rates used to calculate future liabilities have decreased slightly, whereas the expected salary percentage increases have increased substantially.

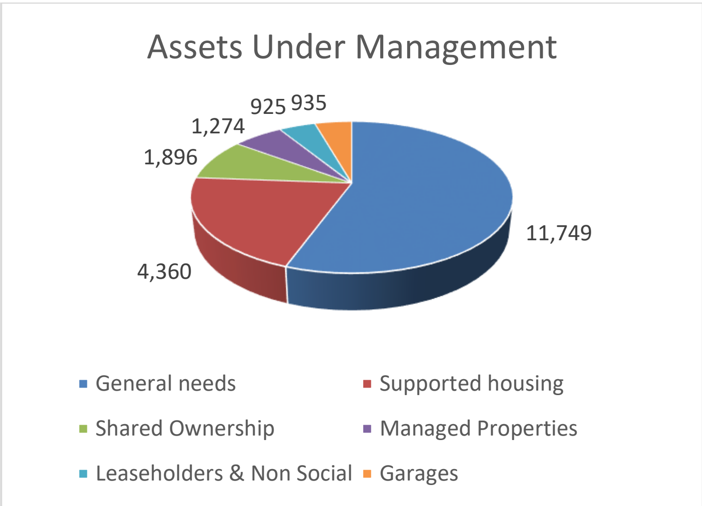
Achievements in 2020-21 (continued)



Despite the 4 year rent reduction we have seen our turnover increase due to additional unit numbers and improved income streams. This has supported increased operating costs incurred to ensure we continue to provide the high level of service to our customers, maintaining our existing units and investing in our communities. 2020-21 saw the first rent increase after this period and we reinvested this back into our operations.

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 area to ascertain housing need and are actively pursuing new growth and funding opportunities emerging from East Midlands regional economic activity such as HS2; the East Midlands Airport Freeport; the Government's Levelling Up agenda and Industrial Strategy.

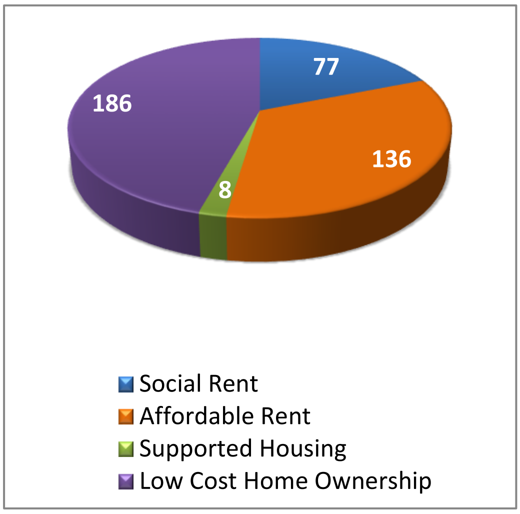


Development Performance

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. Following the award of £43.4m to deliver 948 new homes as part of the 2018 Homes England initiative we have seen our development programmes escalate. Our ambitious growth targets are fully embedded in our Development Strategy, showing our commitment to increased growth and our target of 2,750 new homes over a five-year period remains on track despite the potential impacts of Covid-19. 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 2020-21 (continued)

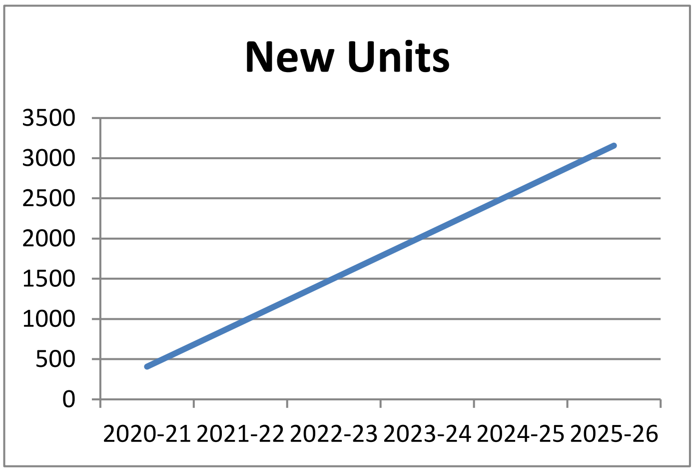
Key development achievements during the year included:



- ✓ Achieved over 75% of our targeted completions with 407 new homes being delivered on behalf of the Group, achieving annual growth of 2.2%;
- ✓ Realised proceeds of £15.8m from shared ownership first tranche sales and £5.2m from outright sales, Right to Buy, Voluntary Right to Buy and stair casing;
- ✓ We have 802 new homes on site which will be delivered in future years;
- ✓ Received £24m of grant from Homes England including £18m of Strategic Partnership and £6m of SOAHP grant.

Our Development Schemes

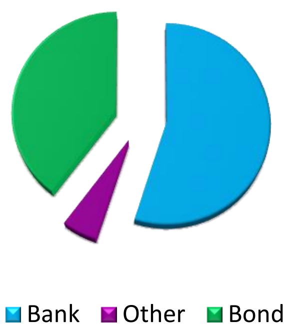
We have an excellent reputation for delivering a range of tenures to meet the growing demand for affordable housing within our diverse geographical area of operation. Our commitment remains to develop circa 500 new units per year. We are particularly proud of the following schemes completed during the year: -



- ✓ Nottingham Road, Melton – A selection of 21 new affordable rental houses and bungalows;
- ✓ Leicester Road, Groby – A mixed tenure scheme of 20 affordable rent and 10 shared ownership properties. This scheme is in a popular village with excellent transport links;
- ✓ Watnall Road, Hucknall - Utilising a Homes England grant of £1.9 million, emh worked with the Ashfield District Council and Countryside Properties to deliver a package deal of one, two and three bed affordable rented and shared ownership homes which were highlighted as much needed for the local community

Achievements in 2020-21 (continued)

Treasury Management



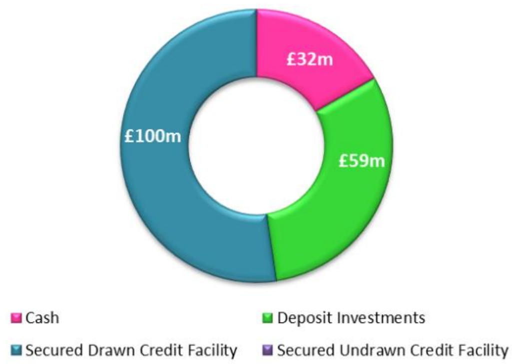
The Group's total borrowings increased by £44m in the year and were £501m at the year end.

£50m additional finance was received in the year being the deferred element of funding arranged in 2019. This, along with scheduled capital repayments and redemptions, reduced bank debt to 28% based on loans drawn. During the year additional revolving credit facilities were arranged, increasing the proportion of bank debt to 47% based on available facilities including amounts not yet drawn.

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 £90m at the year-end including £58m 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 upgraded our tenants' portal "myhomeonline" to improve usability and customer services. At the year-end we had 65% of customers registered to use the portal meeting our Business Plan target of 65% by 2023;
- ✓ We exceeded our homes sales target of 187 by 11, achieving sales in year of 198 and secured 33 staircasing sales;
- ✓ We accessed £2.2m of additional money on behalf of our tenants through our Financial Inclusion work and now have over 53% of tenants paying their rent in advance;
- ✓ We are on target to have 250 apprentices by 2023 having achieved 143 apprenticeships across the business;

Achievements in 2020-21 (continued)

Business Plan Objectives (continued)

- ✓ We continued to work as a Strategic Partner and received £18m in the year, further strengthening our relationship with Homes England;
- ✓ We have developed our Ageing Well Strategy and action plan that will shape our future offer for older persons' housing with strong links to the care and support services we can offer;
- ✓ We maintained our credit rating of A+ (Stable) following a reassessment by Standard and Poor's, highlighting our improving operational performance and significant development programme;
- ✓ We have achieved the Investors in People Gold accreditation across emh group, emh homes and Midlands Rural Housing. emh care and support have been reaccredited during 2020 with Silver, showing positive direction of travel in all criteria;
- ✓ Our leaders and managers continue their leadership development journey with the majority now trained as coaches;
- ✓ Our one emh companywide transformation project continues to make changes to processes, systems and culture to enable the Group to achieve its visions;
- ✓ Colleagues have gone the extra mile to support communities during COVID, undertaking 60,000 wellbeing calls to customers and delivering food parcels;
- ✓ Effectively mobilised our move to remote and agile working;
- ✓ We have reviewed our Equality, Diversity and Inclusion Strategy and have made commitments through this to develop and promote employment opportunities for people with disabilities. We have begun exploring our people data and have signed up to the Disability Confident Employer status as first steps;
- ✓ Developed our approach to Diversity further by taking actions to address Black Lives Matter, introducing the 'Rooney Rule' and publishing our Ethnicity Pay Gap. Establishment of a BLM partnership with one of our key local authorities (Blaby District Council) to share good practice and exchange ideas. We have partnered with the Housing Diversity Network to provide BME mentors to those working in the housing sector;
- ✓ We have increased our resident engagement opportunities, offering a wide range of digital methods. This along with our 'Together with Tenants work as an early adopter has seen the number of residents who engage with us on a regular basis increased to 737 over the first two years of this plan, and during the third year this increased to over 1,500 residents becoming actively involved in providing feedback and in our resident engagement activities; largely as a result to a move to online engagement;
- ✓ Developed an Environmental Strategy approach focusing on the five key themes of:
    - Waste Management
    - Water Management
    - Ecological Sustainability
    - Sustainable Procurement
    - Energy and Carbon Consumption

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 2021 figures when they become available.

Regulators Metrics	emh group 2021	emh group 2020	Trend	2020 Peer Group*
Operating margin (excl surplus on sales)	28.1%	29.0%	↔	20.2%
Operating margin – social housing lettings	31.0%	33.2%	↓	23.2%
EBITDA MRI % interest cover	176.1%	180.2%	↓	150%
Units developed as % of unit owned	2.2%	2.2%	↔	1.6%
Gearing	53.1%	50.4%	↓	44.6%
Reinvestment %	7.6%	11.4%	↓	8.7%
Return on capital employed	3.8%	4.5%	↔	3.9%
Headline social housing unit cost	£2,679	£2,642	↓	£3,585

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. 2021 figures data is currently being collated and are therefore 2020 peer group used as indicative. Once the full peer group is available, an analysis will be undertaken and published in our Value for Money Self-Assessment for 2020.

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 due to the challenges faced during the Covid-19 pandemic. In the early part of the year measures were put in place to mitigate increased costs were possible however we continued with our planned and remedial works programmes where possible to ensure our properties remain safe and compliant. Operating costs in relation to turnover increased for our General Needs and Low Cost Home Ownership properties. While to need to additional support and equipment saw our costs increase on support activities.

Our headline social housing cost is £2,679 per unit, an increase of 1.4% on the prior year. Our Business Plan target is to contain the annual increase in total unit cost within inflation and this was achieved once again. Management costs increased by 5.25% in year due to increased overhead costs. We are committed to maintaining and improving our properties however due to the Covid-19 restrictions our major repairs programme was slow to start. Further impacts of sourcing materials and contractor availability has resulted in a decrease in spend per unit of 21%. This is not reflective of a change in our intentions and significant additional budget has been included in future years to mitigate the shortfall in the current year. Unfortunately the reduction in major works has seen our maintenance costs increase once again. The 10% increase is largely due to a significant increase in void costs. This is being closely monitored and analysis work carried out. Whilst an increase of 1.4% overall is a strong result, had we achieved our development target, the increase in unit cost realised would have been just 0.6%.

During the year we completed 407 new units of our 550 unit target achieving circa 75% of our intended growth. This shortfall is partially due to the impacts of the Covid-19 pandemic with sites slow to mobilise in the early part of the year due to the challenging restrictions in place. With uncertainty still surrounding the impacts of the ongoing restrictions it is not realistic to recover this development position in the following year. It is pledged that over the next 3-4 years, our development targets under Strategic Partnership will be achieved. At the year-end we had 802 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 third year under the Strategic Partnership with Homes England, at the end of the financial year we had drawn down over 90% of our £43.4m grant allocation in totality, with £18m being claimed in year.

There has been a marginal increase in our gearing ratio which has risen to 53.1%. This is due to increased borrowings to support our development programme.

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 2021	emh group 2020	Trend
Units developed	407	400	
Customer satisfaction with services provided by landlord	81%	81%	
Rent collected	99.8%	99.8%	
Occupancy	97.4%	99.6%	
Ratio of responsive repairs to planned maintenance	1.45	1.20	
Management cost per unit	£997	£947	
Services cost per unit	£415	£397	
Maintenance cost per unit	£873	£797	
Major repairs cost per unit	£355	£449	
Other social lettings cost per unit	£39	£52	

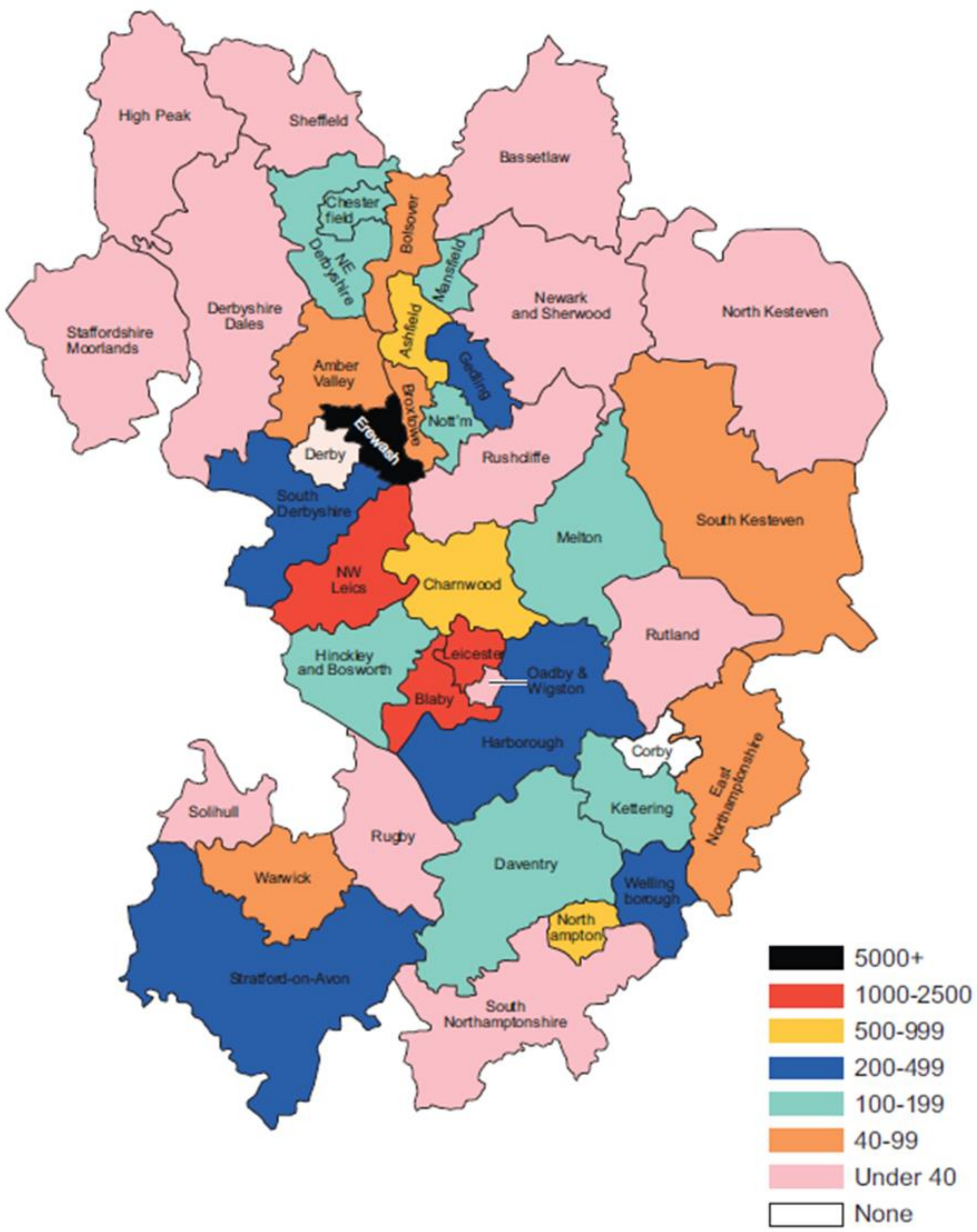
The table above gives a summary of the additional Sector Scorecard metrics based on the latest financial performance, compared to the prior year. A copy of the full Value for Money Self-Assessment Statement will be published on our website including a comparison of the Sector Scorecard against our selected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

emh group

emh group
Homes owned and homes where management services are provided.



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 2021. 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

17 September 2021

INDEPENDENT AUDITOR'S REPORT TO EAST MIDLANDS HOUSING GROUP LIMITED

FOR THE YEAR ENDED 31 MARCH 2021

Opinion

We have audited the financial statements of East Midlands Housing Group Limited ("group and the association") for the year ended 31 March 2021 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 as at 31 March 2021 and of the income and expenditure of the group and the association for the year then ended;
- 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 association's 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 their 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 their 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's 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

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, and taking into account possible pressures to meet loan covenants / regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from property sales is recorded in the wrong period and may be overstated.

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 and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual and seldom used accounts.
- Sample testing of sales relating to the period prior to 31 March 2021 to determine whether income is recognised in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-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 the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), distributable profits legislation, taxation legislation, pensions legislation and specific disclosures required by housing legislation 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 is 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 or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: GDPR, Health and Safety Legislation and Employment and Social Security Legislation, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other 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.

Other information

The association's Board is responsible for the other information, which comprises the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion 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.

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 more fully explained in their statement set out on page 24, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; 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; 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 it either intends to liquidate the group or the association or to cease operations, or has 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 as a body, 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

September 2021

EAST MIDLANDS HOUSING GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Note	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Turnover	3	122,604	12,343	111,068	10,470
Operating costs	3	(88,139)	(11,696)	(78,857)	(10,197)
Surplus on disposal of tangible fixed assets	8	3,433	-	9,135	(70)
Operating surplus/(deficit)	3	37,898	647	41,346	203
Interest receivable and other income	9	61	22	628	22
Interest payable and similar charges	10	(21,608)	-	(19,879)	-
Finance income and costs	12	(199)	(18)	(473)	(46)
Movement in fair value of financial instruments	28	-	-	37	-
Donation	11	-	(500)	-	-
Surplus/(deficit) before taxation	5	16,152	151	21,659	179
Tax on surplus on ordinary activities	13	(65)	(6)	(7)	(7)
Surplus/(deficit) for the year		16,087	145	21,652	172
Other comprehensive income					
Remeasurement of Local Government Pension Schemes	28	(3,029)	-	4,772	-
Remeasurement of Social Housing Pension Schemes	28	(7,727)	(1,500)	6,182	1,087
Remeasurement of the Reimbursement Asset	28	16	-	38	-
Total comprehensive income for the year		5,347	(1,355)	32,644	1,259

Turnover is derived from continuing activities.

EAST MIDLANDS HOUSING GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Tangible fixed assets					
Housing properties	14	883,812	-	848,233	-
Other tangible fixed assets	14	10,776	1,128	11,254	1,152
Investments	15	1,672	217	1,807	217
Investment in subsidiaries	16	-	93	-	93
HomeBuy loan receivable		5,554	-	5,735	-
Net book value tangible fixed assets		901,814	1,438	867,029	1,462
Current assets					
Reimbursement Assets (including £430k due after 1 year)	28	526	-	607	-
Properties for sale and work in progress	17	14,902	-	13,573	-
Trade and other debtors (including £431k due after 1 year)	19	17,840	2,165	11,385	3,562
Investments	20	58,584	-	28,075	-
Cash and cash equivalents		31,816	1,048	29,594	440
Total current assets		123,668	3,213	83,234	4,002
Creditors: amounts falling due within one year	21	(26,882)	(2,955)	(31,410)	(3,856)
Net current assets		96,786	258	51,824	146
Total assets less current liabilities		998,600	1,696	918,853	1,608
Creditors: amounts falling due after one year	22	(764,786)	-	(700,866)	-
Provisions for liabilities					
Leave provision	27	(926)	(266)	(393)	(140)
Pension liability	28	(18,925)	(2,153)	(8,978)	(836)
Net assets/(liabilities)		213,963	(723)	208,616	632
Capital and reserves					
Called up share capital	29	-	-	-	-
Restricted reserves		753	-	773	-
Sinking fund		1,328	-	1,328	-
Revenue reserves		211,882	(723)	206,515	632
Total funds		213,963	(723)	208,616	632

These financial statements were approved by the board of directors on 17 September 2021 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 2021

GROUP	Called up share capital £'000	Revenue reserve £'000	Restricted reserve £'000	Sinking fund £'000	Total equity £'000
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
Balance at 1 April 2019	-	173,860	784	1,328	175,972
Total comprehensive income for the period					
Surplus for the year	-	21,663	(11)	-	21,652
Remeasurement of Pension Schemes	-	10,954	-	-	10,954
Remeasurement of the Reimbursement Asset	-	38	-	-	38
Balance at 31 March 2020	-	206,515	773	1,328	208,616

PARENT	Called up share capital £'000	Revenue reserve £'000	Restricted reserve £'000	Sinking fund £'000	Total equity £'000
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)
Balance at 1 April 2019	-	(627)	-	-	(627)
Total comprehensive income for the period					
Surplus for the year	-	172	-	-	172
Remeasurement of Pension Schemes	-	1,087	-	-	1,087
Balance at 31 March 2020	-	632	-	-	632

EAST MIDLANDS HOUSING GROUP LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

GROUP	Note	2021 £'000	2020 £'000
Cashflows from operating activities			
Operating surplus for the year	3	37,898	41,346
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	13	17,356	16,559
Amortisation charges		335	233
Deferred government grants	3	(2,375)	(2,384)
Pensions costs less contributions payable	27	(1,154)	(1,203)
Corporation Tax		(65)	(96)
Revaluation of investment properties		-	1,386
Net book value sales of other tangible fixed assets		15,471	22,102
(Increase) in stock		(1,329)	(6,284)
(Increase) in trade & other debtors		(4,279)	(3,629)
(Decrease)/increase in trade and other creditors		(10,722)	9,889
Increase/(decrease) in provisions and employee benefits		533	(265)
Net cash from operating activities		**51,669**	**77,654**
Cashflows from investing activities			
Interest received		62	618
Acquisition of tangible fixed assets		(63,201)	(97,256)
Proceeds from receipt of government grants		25,013	13,282
Capitalised development expenditure		(2,490)	(1,989)
Disposal/(purchase) of investment securities		134	(183)
(Purchase)/disposal of short term investments		(30,509)	3,876
Net cash from investing activities		**(70,991)**	**(81,652)**
Cashflow from financing activities			
Proceeds from new loan		49,361	49,917
Interest paid		(20,966)	(22,799)
Repayment of borrowings		(6,851)	(25,278)
Net cash from financing activities		**21,544**	**1,840**
Net change in cash and cash equivalents		2,222	(2,158)
Cash and cash equivalents at start of period		29,594	31,752
Cash and cash equivalents at end of period		**31,816**	**29,594**

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 2021 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. Following the outbreak of Covid-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst case assessment.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going Concern - Group (continued)
The board, after reviewing the group and company budgets for 2021/22 and the group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, 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.

Going Concern - Parent
The accounting for The Pension Trust - Social Housing Pension scheme as a defined benefit has resulted in the parent having a net liability closing position of £723k. This is anticipated to be reversed within several years of trading. The parent also has an agreement with EMH Housing and Regeneration Ltd that would provide financial support to the parent if needed. If the parent was required to meet its liabilities in full then it would require funding support from EMH Housing and Regeneration Ltd to meet this obligation. As noted above the agreement would require EMH Housing and Regeneration Ltd to provide this support.

Consequently, the Directors are confident that the parent 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 asset 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

<u>Defined benefit plans</u>

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 plan's 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 scheme's 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 2021 £'000	Operating costs / Cost of Sales 2021 £'000	Operating surplus 2021 £'000	Turnover 2020 £'000	Operating costs / Cost of Sales 2020 £'000	Operating surplus 2020 £'000
Social housing lettings						
General needs	58,554	(40,566)	17,988	56,251	(36,731)	19,520
Supported housing and housing for older people	23,675	(17,549)	6,126	22,721	(17,248)	5,473
Low cost home ownership	5,398	(2,376)	3,022	4,746	(1,942)	2,804
	87,627	**(60,491)**	**27,136**	**83,718**	**(55,921)**	**27,797**
Other social housing activities						
Support activities	209	(162)	47	193	(9)	184
Sales of current asset properties	15,845	(11,995)	3,850	10,544	(7,929)	2,615
Other	2,782	(575)	2,207	1,419	(941)	478
	18,836	**(12,732)**	**6,104**	**12,156**	**(8,879)**	**3,277**
Total social housing	**106,463**	**(73,223)**	**33,240**	**95,874**	**(64,800)**	**31,074**
Non-social housing activities	5,446	(4,990)	456	5,110	(4,549)	561
Non housing activities	10,695	(9,926)	769	10,084	(9,508)	576
Total	**122,604**	**(88,139)**	**34,465**	**111,068**	**(78,857)**	**32,211**
Gain on disposal of tangible fixed assets			3,433			9,135
Operating surplus			**37,898**			**41,346**

3 SOCIAL HOUSING - GROUP	**General needs**	**Supported housing and housing for older people £'000**	**Low cost home ownership**	**2021 Total £'000**	**2020 Total £'000**
Rent receivable net of identifiable service charges	54,450	17,272	4,797	76,519	73,145
Service charges receivable	2,388	5,674	351	8,413	8,169
Net rents receivable	**56,838**	**22,946**	**5,148**	**84,932**	**81,314**
Amortised government grant	1,716	401	250	2,367	2,371
Other	-	328	-	328	33
Total income from lettings	**58,554**	**23,675**	**5,398**	**87,627**	**83,718**
Expenditure on lettings activities:					
Management	12,741	5,339	1,139	19,219	17,933
Services	2,974	4,709	313	7,996	7,516
Routine maintenance	10,329	3,675	30	14,034	12,865
Planned maintenance	2,147	648	8	2,803	2,227
Bad debts	305	123	97	525	224
Depreciation of housing properties	12,053	3,055	789	15,897	15,129
Other costs	17	-	-	17	27
Total expenditure on lettings	**40,566**	**17,549**	**2,376**	**60,491**	**55,921**
Operating surplus on lettings	**17,988**	**6,126**	**3,022**	**27,136**	**27,797**
Void losses	507	823	3	1,333	1,190

	Turnover 2021 £'000	Operating costs / Cost of Sales 2021 £'000	Operating surplus 2021 £'000	Turnover 2020 £'000	Operating costs / Cost of Sales 2020 £'000	Operating surplus 2020 £'000
3 SOCIAL HOUSING - PARENT						
Other social housing activities						
Support activities	12,343	(11,696)	647	10,470	(10,197)	273
	12,343	**(11,696)**	**647**	**10,470**	**(10,197)**	**273**
Total social housing	**12,343**	**(11,696)**	**647**	**10,470**	**(10,197)**	**273**
Gain on disposal of tangible fixed assets			-			(70)
Operating surplus			**647**			**203**

4 HOUSING STOCK - GROUP

	2021 Number	2020 Number
Social housing accommodation		
General needs rented	9,923	10,003
Affordable rented	1,826	1,586
Supported housing & housing for older people	4,360	4,373
Low cost home ownership	1,896	1,733
Managed on behalf of other landlords	1,274	1,238
Total social housing managed	19,279	18,933
Non-social housing managed		
Leaseholders	180	181
Freehold	664	660
Day care centres	4	5
Registered care bed spaces	47	55
Commercial	30	30
Managed in behalf of other providers	-	21
Total non-social housing managed	925	952
Total housing stock	**20,204**	**19,885**
Garages and other non-habitable units	935	935
Total units managed	**21,139**	**20,820**
Housing units in development pipeline	**802**	**998**

At 31 March 2021 the Group owned 134 units (2020: 116) which are managed by agents.

5 EXPENSES AND AUDITORS REMUNERATION

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
<u>Included in surplus are the following:</u>				
Depreciation of tangible fixed assets				
Housing properties	15,997	-	15,321	-
Other owned assets	1,359	458	1,238	379
Surplus/(deficit) of sale of fixed assets	3,244	-	9,135	(70)
Auditors' remuneration				
For the audit of the annual accounts	98	15	92	15
For other services	22	-	23	12
Operating lease payments				
Motor Vehicles	206	-	307	-
Office Equipment	6	6	6	6
Land and Buildings	212	135	199	134

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 2021 Number	PARENT 2021 Number	GROUP 2020 Number	PARENT 2020 Number
Office staff	358	133	346	123
Wardens and caretakers	29	-	26	-
Care & Support Staff	375	-	361	-
Operatives	201	-	184	-
	963	133	917	123

	2021 £000	2021 £000	2020 £000	2020 £000
Staff costs for the above persons:				
Wages and salaries	28,946	5,674	25,187	4,586
Social security costs	2,646	607	2,359	516
Pension costs	2,073	341	2,167	293
Termination benefits	168	100	142	77
	33,833	6,722	29,855	5,472

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	874	874	848	848
Directors and Senior Staff	1,971	1,186	1,586	763
Board Members	95	87	98	85
	2,940	2,147	2,532	1,696

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

The highest paid Director (the Chief Executive - Mr C Kataria)	194	194	191	191

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 2021 Number	PARENT 2021 Number	GROUP 2020 Number	PARENT 2020 Number
£60k-£70k	8	2	9	3
£70k-£80k	10	7	6	4
£80k-£90k	2	5	2	4
£90k-£100k	2	1	2	-
£100k-£110k	-	-	1	-
£110k-£120k	1	1	1	1
£120k-£130k	1	1	2	2
£130k-£140k	1	1	-	-
£140k-£150k	1	1	2	2
£150k-£160k	1	1	-	-
£190k-£200k	-	-	1	1
£200k-£210k	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.

8 SURPLUS ON DISPOSAL OF OTHER FIXED ASSETS	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Disposal proceeds	6,216	-	16,655	-
Grant abated	236	-	1,383	-
Cost of disposals	(3,019)	-	(8,903)	(70)
	3,433	-	9,135	(70)

Included in the above are 4 properties (2020: 56) disposed of under the Voluntary Right to Buy scheme. These generated a surplus on the disposals of £394k (2020: £5,593k). This surplus is ring-fenced for reinvestment in new properties under the terms of the scheme.

9 INTEREST RECEIVABLE AND OTHER INCOME

Interest receivable from unlisted investments	61	22	628	22

10 INTEREST PAYABLE AND SIMILAR CHARGES

On bank loans, overdrafts and other loans	24,027	-	20,911	-
Less capitalised interest	(2,419)	-	(1,032)	-
	21,608	-	19,879	-

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
11 GIFT AID PAYMENTS / DONATION				
Amounts Paid to emh Housing & Regeneration Ltd	-	500	-	-
	-	500	-	-

A cash payment of £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 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Expected return on pension scheme assets	1,676	153	1,743	148
Interest on pension scheme liabilities	(1,875)	(171)	(2,216)	(194)
Net financing costs	(199)	(18)	(473)	(46)

13 TAXATION

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

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Current tax				
Current tax on income for the period	65	6	-	-
Adjustments in respect of prior period	-	-	19	19
Total current tax	65	6	19	19
Deferred tax				
Origination and reversal of timing differences	-	-	(12)	(12)
Total deferred tax	-	-	(12)	(12)
Total tax recognised in the income and expenditure account	65	6	7	7

Reconciliation of effective rate

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Surplus before taxation	16,152	651	21,659	179
Total tax expense	65	6	7	7
Tax using the UK corporation tax rate of 19% (2020: 19%)	3,595	124	4,373	34
Charitable exemption	(3,152)	-	(4,309)	-
Non-deductible expenses	97	88	85	75
Pension contribution allowances	8	25	(43)	(27)
Capital allowances	(122)	(105)	(173)	(166)
Trading losses offset	(54)	-	-	-
Group relief	(1)	(31)	106	84
Corporate interest relief	(40)	-	-	-
Gift aid / donation credit	(266)	(95)	(39)	-
Current tax expense included in the surplus	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 2020	50,528	833,116	100,141	6,894	990,679	8,455	1,238	13,562	803	24,058	1,014,737
Additions	60,135	-	-	-	60,135	-	-	1,050	78	1,128	61,263
Replacement components	9	6,816	-	18	6,843	-	-	-	-	-	6,843
Schemes completed in the year	(47,001)	31,396	15,605	-	-	-	-	-	-	-	-
Transfers	-	(682)	682	-	-	-	-	(16)	16	-	-
Disposals	(13,037)	(3,207)	(1,230)	(51)	(17,525)	(292)	(45)	(20)	(28)	(385)	(17,910)
31 March 2021	50,634	867,439	115,198	6,861	1,040,132	8,163	1,193	14,576	869	24,801	1,064,933
Accumulated depreciation											
1 April 2020	-	130,543	7,025	1,752	139,320	3,129	199	8,906	570	12,804	152,124
Provision in the year	-	15,173	743	81	15,997	141	40	1,081	97	1,359	17,356
Transfers	-	(21)	21	-	-	-	-	-	-	-	-
Eliminated on disposal	-	(1,957)	(120)	(46)	(2,123)	(50)	(45)	(15)	(28)	(138)	(2,261)
31 March 2021	-	143,738	7,669	1,787	153,194	3,220	194	9,972	639	14,025	167,219
Impairment											
1 April 2020	-	1,379	1,430	317	3,126	-	-	-	-	-	3,126
31 March 2021	-	1,379	1,430	317	3,126	-	-	-	-	-	3,126
Net book value											
31 March 2021	50,634	722,322	106,099	4,757	883,812	4,943	999	4,604	230	10,776	894,588
31 March 2020	50,528	701,194	91,686	4,825	848,233	5,326	1,039	4,656	233	11,254	859,487

14 TANGIBLE FIXED ASSETS - GROUP (CONTINUED)	GROUP 2021 £'000	GROUP 2020 £'000
The net book value of housing properties comprises		
Freehold	862,461	827,053
Long leasehold	21,351	21,180
	883,812	848,233
Additions to housing properties incudes:		
Capitalised interest	2,419	1,032
(at the Group average borrowing rate)	4.5%	4.7%
Direct administration costs	2,394	1,989

There were no other fixed assets held under finance lease at the year end (2020: £nil).

Other Fixed Assets - Parent	Leasehold Office £000	Fixtures, Fittings and Equipment £000	Total £000
Cost			
1 April 2020	27	5,292	5,319
Additions	-	434	434
31 March 2021	27	5,726	5,753
Accumulated depreciation			
1 April 2020	12	4,155	4,167
Provision for the year	-	458	458
31 March 2021	12	4,613	4,625
Net book value			
31 March 2021	15	1,113	1,128
31 March 2020	15	1,137	1,152

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
15 FIXED ASSET INVESTMENTS				
At 1 April	1,807	217	1,624	217
Transfer in year	(135)	-	183	-
At 31 March	1,672	217	1,807	217
16 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS				
At 31 March 2021 and 1 April 2020	-	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 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
17 PROPERTIES FOR SALE AND WORK IN PROGRESS				
Schemes developed for shared ownership disposal and outright sale	5,758	-	6,980	-
Schemes in development	9,144	-	6,593	-
	14,902	-	13,573	-

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. This identified a number of properties where the market value was below the value of the stock.

The Group calculated the recoverable amount of each property, using estimated market values. Comparing this to the carrying amount of each property, the Association made an impairment charge against its stock.

During the year, as a result of the review, stock with a cost of £149k was impaired by £8k. This is included within Sales of current asset properties within Note 3.

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
19 TRADE AND OTHER DEBTORS				
Current tenant arrears	2,829	-	3,584	-
Less provision for bad and doubtful debts	(1,976)	-	(1,782)	-
Former tenant arrears	1,120	-	1,369	-
Less provision for bad and doubtful debts	(1,120)	-	(1,369)	-
Trade debtors	2,231	-	2,530	1
Less provision for trade debtors	(70)	-	(19)	-
Prepayments and accrued income	14,313	805	6,617	712
Other debtors	18	4	19	-
Taxation and social security	64	30	5	-
Loan to MOR Homes (all due after 1 year)	431	431	431	431
Amounts owed by group undertakings	-	895	-	2,418
	17,840	2,165	11,385	3,562
Due within one year	17,409	1,734	10,954	3,131
Due after more than one year	431	431	431	431
	17,840	2,165	11,385	3,562

20 CURRENT ASSETS INVESTMENTS

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Bank deposits	58,584	-	28,075	-

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
21 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Loans and overdrafts (see note 23)	6,007	-	4,204	-
Trade creditors	5,730	166	10,534	713
Rent received in advance	3,625	-	3,239	-
Accruals and deferred income	11,085	1,043	12,688	409
Taxation and social security	-	-	569	86
Corporation tax	65	6	-	-
Other creditors	368	14	174	2
Pension deficit contributions (see note 28)	2	-	2	-
Amounts due to group undertakings	-	1,726	-	2,646
	26,882	2,955	31,410	3,856

22 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Loans and overdrafts (see note 23)	494,771	-	453,126	-
Deferred government grants (see note 25)	256,577	-	235,375	-
Homebuy grant receivable	5,554	-	5,735	-
Recycled capital grant fund (see note 26)	7,876	-	6,620	-
Pension deficit contributions (see note 28)	8	-	10	-
	764,786	-	700,866	-

23 LOANS

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Bank loans	137,718	-	143,768	-
The Housing Finance Corporation	26,319	-	26,822	-
MOR Homes loan	37,500	-	37,500	
Pension Insurance Corporation PLC loan	100,000	-	50,000	-
Bond finance from emh treasury plc	199,241	-	199,240	-
	500,778	-	457,330	-

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

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
In one year or less	6,007	-	4,204	-
Between one and two years	19,532	-	8,442	-
Between two and five years	25,455	-	36,531	-
In more than five years	449,784	-	408,153	-
	500,778	-	457,330	-

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2020 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2021 £'000
Cash and cash equivalents	29,594	2,222	-	31,816
Borrowings				
Debt due within one year	(4,204)	4,204	(6,007)	(6,007)
Debt due after one year	(453,126)	(47,652)	6,007	(494,771)
	(457,330)	(43,448)	-	(500,778)
Total Net Debt	(427,736)	(41,226)	-	(468,962)

25 DEFERRED GOVERNMENT GRANTS - GROUP

	Social housing grant £'000	Other government grant £'000	Total £'000
At 1 April 2020	221,098	14,277	235,375
Received in the year	24,223	409	24,632
Released to income in the year	(2,241)	(134)	(2,375)
Disposed in the year	(1,045)	(10)	(1,055)
At 31 March 2021	242,035	14,542	256,577

26 RECYCLED CAPITAL GRANT FUND - GROUP

	Recycled capital grant fund £'000
At 1 April 2020	6,620
Interest credited to the fund	7
Transferred to fund during the year	1,249
At 31 March 2021	7,876

27 PROVISIONS

	Leave Pay £000	Total £000
GROUP		
At 1 April 2020	393	393
Provisions made during the year	541	541
Provisions reversed during the year	(8)	(8)
At 31 March 2021	926	926
PARENT		
At 1 April 2020	140	140
Provisions made during the year	126	126
At 31 March 2021	266	266

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 2021

	The Pensions Trust - SHPS	The Pensions Trust - Growth Plan	Leicestershire County Council	Derbyshire County Council
		£'000		
Net liability 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 loss 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

28 EMPLOYEE BENEFITS (CONTINUED)

Summary of the movement on pension scheme liabilities for prior year ended 31 March 2020

	The Pensions Trust - SHPS	The Pensions Trust - Growth Plan	Leicestershire County Council	Derbyshire County Council
		£'000		
Net liability/(asset) at 1 April 2019	12,119	14	184	8,076
Actuarial loss in the period charged to the income & expenditure account	308	-	132	338
Actuarial (gain) in the period charged to other comprehensive income	(6,220)	-	(413)	(4,359)
Deficit contribution paid	(1,187)	(2)	-	-
Net liability/(asset) at 31 March 2020	5,020	12	(97)	4,055

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 triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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 28 February 2019, 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 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive.

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 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	**2021 £'000**	**2020 £'000**
Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)		
Fair value of plan assets	43,494	37,492
Present value of defined benefit obligation	(55,162)	(42,512)
Defined benefit (liability)/asset to be recognised	(11,668)	(5,020)
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	42,512	48,220
Expenses	37	37
Interest expense	999	1,121
Actuarial losses (gains) due to scheme experience	2	343
Actuarial losses (gains) due to changes in demographic assumptions	191	(407)
Actuarial losses (gains) due to changes in financial assumptions	12,072	(5,920)
Benefits paid and expenses	(651)	(882)
Defined benefit obligation at end of period	55,162	42,512
Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	37,492	36,101
Interest income	893	850
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	4,538	236
Contributions by the employer	1,222	1,187
Benefits paid and expenses	(651)	(882)
Fair value of plan assets at end of period	43,494	37,492

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £5,431,000

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

	2021 £'000	2020 £'000
Defined benefit costs recognised in statement of comprehensive income (SOCI)		
Expenses	37	37
Net interest expense	106	271
Defined benefit costs recognised in statement of comprehensive income (SoCI)	143	308
Defined benefit costs recognised in other comprehensive income		
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	4,538	236
Experience gains and losses arising on the plan liabilities - (loss)/gain	(2)	(343)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)/gain	(191)	407
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	(12,072)	5,920
Total amount recognised in other comprehensive income - gain (loss)	(7,727)	6,220
Assets		
Global Equity	6,932	5,483
Absolute Return	2,401	1,955
Distressed Opportunities	1,256	723
Credit Relative Value	1,370	1,028
Alternative Risk Premia	1,638	2,621
Fund of Hedge Funds	4	22
Emerging Markets Debt	1,756	1,135
Risk Sharing	1,583	1,267
Insurance-Linked Securities	1,045	1,151
Property	903	826
Infrastructure	2,900	2,790
Private Debt	1,037	756
Opportunistic Illiquid Credit	1,105	907
High Yield	1,302	-
Opportunistic Credit	1,192	-
Corporate Bond Fund	2,571	2,138
Liquid Credit	520	16
Long Lease Property	852	649
Secured Income	1,809	1,422
Liability Driven Investment	11,054	12,442
Net Current Assets	264	161
Total assets	43,494	37,492

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

	2021 % per annum	**2020 % per annum**
Discount Rate	2.19	2.37
Inflation (RPI)	3.26	2.59
Inflation (CPI)	2.87	1.59
Salary Growth	3.87	2.58
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

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:

	2021 £'000	**2020 £'000**
At 1st April	607	663
Payment received	(97)	(94)
Change in debtor	16	38
At 31st March	526	607
Split to Rural Housing Associations		
Warwickshire Rural Housing Association	195	225
Northampton Rural Housing Association	207	239
Peak District Rural Housing Association	94	109
Leicestershire Rural Housing Association	30	34
Total pension debtor	526	607

28 EMPLOYEE BENEFITS (CONTINUED)

Reimbursement Asset (continued)

	2021 £'000	2020 £'000
Movement in the year included in Other Comprehensive Income - Remeasurement of Social Housing Pension Scheme		
Change in Debtor	17	38
	17	38

PARENT

Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)		
Fair value of plan assets	7,593	6,450
Present value of defined benefit obligation	(9,746)	(7,286)
Defined benefit (liability)/asset to be recognised	(2,153)	(836)

Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	7,286	8,320
Expenses	8	8
Interest expense	171	194
Actuarial losses (gains) due to scheme experience	62	(2)
Actuarial losses (gains) due to changes in demographic assumptions	33	(69)
Actuarial losses (gains) due to changes in financial assumptions	2,279	(1,046)
Benefits paid and expenses	(93)	(119)
Defined benefit obligation at end of period	9,746	7,286

Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	6,450	6,257
Interest income	153	148
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	874	(30)
Contributions by the employer	209	194
Benefits paid and expenses	(93)	(119)
Fair value of plan assets at end of period	7,593	6,450

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £1,027,000.

Defined benefit costs recognised in statement of comprehensive income (SOCI)		
Expenses	8	8
Net interest expense	18	46
Defined benefit costs recognised in statement of comprehensive income (SoCI)	26	54

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

	2021 £'000	2020 £'000
Defined benefit costs recognised in other comprehensive income		
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	874	(30)
Experience gains and losses arising on the plan liabilities - (loss)/gain	(62)	2
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)/gain	(33)	69
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	(2,279)	1,046
Total amount recognised in other comprehensive income - (loss)/gain	(1,500)	1,087

	2021	2020
Assets		
Global Equity	1,210	943
Absolute Return	419	336
Distressed Opportunities	219	124
Credit Relative Value	239	177
Alternative Risk Premia	286	451
Fund of Hedge Funds	1	4
Emerging Markets Debt	307	195
Risk Sharing	276	218
Insurance-Linked Securities	182	198
Property	158	142
Infrastructure	506	480
Private Debt	181	130
Opportunistic Illiquid Credit	193	156
High Yield	227	-
Opportunistic Credit	208	-
Corporate Bond Fund	449	368
Liquid Credit	91	3
Long Lease Property	149	112
Secured Income	316	245
Liability Driven Investment	1,930	2,140
Net Current Assets	46	28
Total assets	7,593	6,450

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.

Key Assumptions

	2021 % per annum	2020 % per annum
Discount Rate	2.20	2.36
Inflation (RPI)	3.25	2.58
Inflation (CPI)	2.87	1.58
Salary Growth	3.87	2.58
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

The Pensions Trust - The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 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.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. 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 2019 to 31 January 2025:	£11.243m per annum (payable monthly and increasing by 3.0% each year on 1 April)

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

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - The Growth Plan (continued)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. 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 2016 to 30 September 2025:	£12.945m per annum (payable monthly and increasing by 3.0% each year on 1 April)
From 1 April 2016 to 30 September 2028:	£50.560k 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	**2021** **£'000**	**2020** **£'000**
Present Value of provision		
Present value of provision at period end	10	12
Reconciliation of opening and closing provisions		
Provision at start of period	12	14
Deficit contribution paid	(2)	(2)
Provision at the end of period	10	12

28 EMPLOYEE BENEFITS (CONTINUED)	2021	2020

The Pensions Trust - The Growth Plan (continued)

Assumptions - Group

	2021	2020
Rate of discount per annum	0.66%	2.53%

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	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Fair value of employer assets	6,784	5,495	34,194	28,877
Present value of funded liabilities	(7,274)	(5,398)	(40,892)	(32,870)
Net underfunding in funded plans	(490)	97	(6,698)	(3,993)
Present value of unfunded liabilities	-	-	(69)	(62)
Net (asset)/liability	(490)	97	(6,767)	(4,055)
Reconciliation of defined benefit obligations				
Opening value of funded liabilities	5,398	6,281	32,870	39,252
Opening value of unfunded liabilities	-	-	71	71
Current service cost	155	186	451	632
Past service cost	-	-	-	9
Interest cost on obligations	125	153	751	942
Members contributions	28	27	86	91
Benefits paid	(118)	(86)	(1,021)	(1,031)
Unfunded benefits paid	-	-	(13)	(4)
Changes in financial assumptions	1,646	(704)	7,641	(2,725)
Changes in demographic assumptions	86	(210)	490	(1,312)
Other experience	(46)	(249)	(365)	(2,993)
Closing value of funded liabilities	7,274	5,398	40,892	32,870
Closing value of unfunded liabilities	-	-	69	62

28 EMPLOYEE BENEFITS (CONTINUED)

Local government pension schemes (continued)

	Leicestershire County Council		Derbyshire County Council	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Reconciliation of fair value of plan assets				
Opening fair value of plan assets	5,495	6,097	28,877	31,247
Interest on assets	127	147	656	746
Members contributions	28	27	86	91
Employers contributions	145	60	280	495
Benefits paid	(118)	(86)	(1,021)	(1,031)
Unfunded benefits paid	-	-	(4)	(4)
Contributions in respect of unfunded benefits paid			4	4
Return on assets excluding net interest	1,107	(750)	5,316	(2,671)
Closing fair value of plan assets	6,784	5,495	34,194	28,877
Expenses recognised in the income and expenditure account				
Current service cost	155	186	451	632
Past service cost	-	-	-	9
Interest cost	(2)	6	95	196
Contributions in respect of unfunded benefits paid	-	-	(4)	(4)
Expected return on employer assets	(145)	(60)	(280)	(495)
Total pension costs recognised in the income and expenditure account	8	132	262	338
Amounts recognised in other comprehensive income				
Changes in financial assumptions	1,646	(704)	7,641	(2,725)
Changes in demographic assumptions	86	(210)	490	(1,312)
Other experience	(46)	(249)	(365)	(2,993)
Return on assets excluding interest	(1,107)	750	(5,316)	2,671
Total amounts recognised in other comprehensive income	579	(413)	2,450	(4,359)

28 EMPLOYEE BENEFITS (CONTINUED)

Local government pension schemes (continued)

	Leicestershire County Council		Derbyshire County Council	
	2021	**2020**	**2021**	**2020**
The estimated split of plan assets at each period end is as follows:				
Equities	61%	54%	63%	60%
Bonds	26%	33%	23%	25%
Property	7%	9%	8%	9%
Cash	6%	4%	6%	6%
	100%	100%	100%	100%

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

Inflation/pension increase rate	2.9%	1.9%	2.9%	1.9%
Salary increase rate	3.4%	2.4%	3.6%	2.6%
Discount rate	2.0%	2.3%	2.0%	2.3%

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.5% p.a. for women and men. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	**Female**	**Male**	**Female**
	Years		**Years**	
Current pensioners	21.7	24.2	21.3	23.9
Future pensioners	22.6	25.9	22.5	25.8

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 £280,000 to the DCC scheme and £150,000 to the LCC scheme in the period to 31 March 2021.

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 2021	**Approx. % increase to employer liability**	**Approx. monetary amount (£'000)**	**Approx. % increase to employer liability**	**Approx. monetary amount (£'000)**
0.5% decrease in real discount rate	11%	812	9%	3,665
1 year increase in member life expectancy	2%	136	1%	334
0.5% increase in pension increase rate	9%	655	8%	3,256

<u>Guaranteed Minimum Pensions and McCloud Judgement</u>

In October 2018 the High Court published its judgement on the case of Lloyds Banking Group and the equalisation of Guaranteed Minimum Pensions ('GMP'). This has consequently been assessed against the Group's defined benefit schemes.

The impact of GMP Equalisation in respect of The Pensions Trust - Social Housing Pension Scheme and The Pensions Trust - The Growth Plan was previously recognised in the previous years.

The Group has reviewed the impact of GMP Equalisation in respect of its 2 Local Government Pension Schemes and identified that a range of approaches has been adopted by the 2 scheme actuaries for those schemes. These approaches range from a detailed assessment of the impact of the requirements in 2019 through to limited recognition of the impact as the scheme actuaries wait for guidance from the Government on the methodology to be applied in calculating the full liability. No further adjustments have been made to the present value of obligations.

In December 2018 the Court of Appeal ruled that 'transitional arrangements' protection in respect of benefit changes to the Judicial and Fire Fighter Pension scheme amounted to unlawful discrimination ('McCloud case'). Due to similar pension reforms to the LGPS in benefits the judgement is expected to be applicable to the LGPS and the MHCLG announced a consultation into this in July 2020. This consultation ran until 8th October 2020 and any impact on year end LGPS calculations remains uncertain.

The directors have considered the potential impact of the McCloud case on the groups defined benefit liability as at 31 March 2021. No additional liability has been recognised. At the time of signing it is expected that;

- there is likely to be a change to the pension liability following the completion of the consultation;
- there is currently insufficient information available to base any calculations of the impact on;
- a reliable estimate cannot therefore be made of the impact; and;
- the timing of the consultation means that any resulting changes will be reflected in the pension liability at 31 March 2022.

29 CALLED UP SHARE CAPITAL

At 31 March 2021, the Group had 7 ordinary shares (2020: 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 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	311	135	343	136
Between one and five years	694	539	1,123	532
More than five years	-	-	132	132
	1,005	674	1,598	800

During the year the group recognised £423k (2020: £427k) and the parent recognised £140k (2020: £136k) as an expense in the income and expenditure account in respect of operating leases.

31 CAPITAL COMMITMENTS

	GROUP 2021 £000	PARENT 2021 £000	GROUP 2020 £000	PARENT 2020 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	94,195	-	74,212	-
Sources of Funding				
Government Grants	10,097	-	7,577	-
Working Capital	73,013	-	41,513	-
Secured & Available Facilities	11,085	-	25,122	-
Capital expenditure that has been authorised by the Board of Management but has yet been contracted for	92,098	-	102,251	-
Sources of Funding				
Government Grants	8,465	-	34,256	-
Secured & Available Facilities	83,633	-	67,995	-

32 RELATED PARTY TRANSACTIONS

Within the boards of the Group, there were no board members or shareholders at 31 March 2021 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 2021 £000	PARENT 2020 £000
Sales to:		
emh Housing & Regeneration Limited	11,355	9,542
emh Care & Support Ltd	863	919
Sharpes Garden Services Ltd	5	6
emh Development Company Ltd	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	132

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

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

Debtors		
emh Housing & Regeneration Limited	-	1,295
emh Care & Support Limited	14	77
Midlands Rural Housing	25	199
emh Sharpes	-	1
emh treasury plc	856	846
Creditors		
emh Housing & Regeneration Limited	1,722	2,632
emh Care & Support Limited	1	12
emh Sharpes	3	2