

EMH Housing and Regeneration Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021

EMH HOUSING AND REGENERATION LIMITED
REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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EMH HOUSING AND REGENERATION LIMITED
ASSOCIATION INFORMATION

FOR THE YEAR ENDED 31 MARCH 2021

BOARD MEMBERS

Christopher Hobson – Chair

Emma Foody
Chan Kataria
Amanda Ashton
Gail Puttock
Masaud Subedar (appointed March 2021)

PRINCIPAL BANKER

Barclays Bank Plc

Leicester
Leicestershire
LE87 2BB

AUDITOR

KPMG LLP

One Snow Hill
Snowhill Queensway
Birmingham
B4 6GH

SECRETARY AND REGISTERED HEAD OFFICE

Joanne Tilley

Memorial House
Whitwick Business Park
Stenson Road
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Leicestershire
LE67 4JP

emh homes is the trading name of EMH Housing and Regeneration Limited.

EMH Housing and Regeneration Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 (Registered Number IP032198) and registered by Homes England (Registered Number 4775).

EMH HOUSING AND REGENERATION LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

The Board of EMH Housing and Regeneration Limited are pleased to present its financial statements for the year ended 31 March 2021.

Background

The Association has been providing affordable housing since 1946 and is now one of the leading providers of affordable housing in the East Midlands. emh homes was the result of an amalgamation of four registered providers and now manages over 19,600 properties across 49 local authorities in the East Midlands.

The Association 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.

The Association is a subsidiary of emh group. The consolidated accounts for emh group are available on its website www.emhgroup.org.uk.

Corporate Mission and Aims

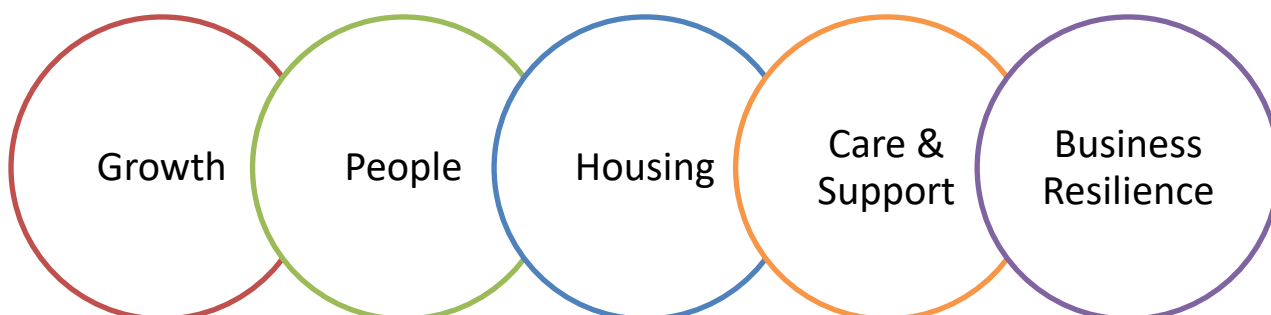
The Association strives to “**provide housing and care to improve opportunities for people**”. This is underpinned by our corporate values: -

- 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.

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.

Future Plans

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



EMH HOUSING AND REGENERATION LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Future Plans (continued)

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 Industrial Strategy.

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;
- 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;

EMH HOUSING AND REGENERATION LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Future Plans (continued)

- 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;
- 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

EMH HOUSING AND REGENERATION LIMITED REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Board Membership, remuneration and attendance

Name	Remuneration	Board Meeting Attendance
Christopher Hobson Chair	Parent Nominee Paid by emh group	5/5
Gail Puttock	Parent Nominee Paid by emh group	5/5
Emma Foody	£3,642	5/5
Chan Kataria	Paid by emh group as an executive	5/5
Amanda Ashton	Parent Nominee Paid by emh group	5/5
Masaud Subedar ¹	£119	0/0

¹Appointed March 2021

Leadership and Governance

Strong leadership is pivotal to delivering high quality services. Our Board are carefully selected to bring a diverse range of skills and expertise in the areas that the Association operates, and Board Members are subject to an individual annual appraisal. The 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.

The Association has adopted and is compliant with the National Housing Federation “Excellence in Governance Code” to ensure the highest standards of governance and accountability whilst responding to change and risk. Christopher Hobson, the Chair of emh homes board, also serves as a representative on the emh Group board.

Customer engagement plays a vital role in shaping the future of the Association. We offer a number of ways for customers to be involved in helping us achieve our mission including a number of online panels, the Scrutiny Panel, service improvement groups and local community-based groups. Our 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.

Operating Environment and Risk

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, placing a fresh emphasis on the key themes of accountability to stakeholders, including residents and other customers; equality, diversity and inclusion in governance; and environmental sustainability.

EMH HOUSING AND REGENERATION LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Operating Environment and Risk (continued)

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.

emh group continues to be a leading housing and care business across the East Midlands region. We believed that the 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 exceeded 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. The pandemic has impacted our development programme, delaying completions which will take a few years to get back on track. Our stress testing shows that whilst financial performance will be weaker in the short term, viability will not be threatened. This situation will be monitored as the situation develops. We are financially strong and although our surpluses will be weaker in the short term, we remain well ahead of our financial covenants.

Our main areas of operation, the provision of affordable housing and care & support services, continue to be complex and diverse. The housing crisis is multi-faceted, with key issues around affordability, availability and homelessness. Research published in early 2021 suggests that a total of 340,000 homes each year until 2031 will not 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 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 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. On any given night there are potentially 187 people sleeping rough on our streets, a 39% reduction from the 307 in 2019. This is a positive step however we have a strong commitment to tackling homelessness in our region. One of our key business objectives is to make a real impact on homelessness. 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.

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.

We have had a successful year being shortlisted for or winning many prestigious awards including; Inside Housing Top 50 Builders 2020 (No. 34); 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.

EMH HOUSING AND REGENERATION LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Operating Environment and Risk (continued)

The Group Audit Committee have responsibility for monitoring key risks and uncertainties faced by the Association and ensuring that controls are in place to manage and mitigate risks. Emerging risks are also captured and closely monitored.

Achievements in the Year

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 Association for the year. The ratios are for performance management only and do not reflect our loan covenants.

Year ended	31 March 2021 £millions	31 March 2020 £millions
<u>INCOME AND EXPENDITURE</u>		
Operating surplus	35.6	41.6
Operating margin (exc surplus on sales)	31.2%	34.3%
Operating margin – social housing lettings	31.9%	35.2%
<u>STATEMENT OF FINANCIAL POSITION</u>		
Total tangible fixed assets	855.7	819.3
Net assets	153.3	146.1
Properties in management at year end	19,644	19,337

Our operating surplus for the year was £35.6m, £6m lower than in 2020. 2020 was an exceptional year due to significantly high property sales.

The operating margin on our social housing lettings activities was £32.1m (2020: £32.4m). Increased unit numbers during the year resulted in additional income which helped to support the continuing pressure on maintenance and estate costs giving a result broadly in line with the prior year.

Total tangible fixed assets increased by £36m 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. Delays due to Covid-19 have meant that there are lower additions that anticipated.

Net current assets increased by £42.5m in the year; cash balances increased to £81m at the year-end with 72% (2020: 57%) of this invested with UK banking institutes.

EMH HOUSING AND REGENERATION LIMITED

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FOR THE YEAR ENDED 31 MARCH 2021

Achievements in the Year (continued)

Financial Performance (continued)

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 however the expected salary percentage increases have increased substantially.

Business Plan Objectives

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

- ✓ We exceeded our homes sales target of 187 by 11, achieving sales in year of 198 and secured 33 staircasing sales;
- ✓ Colleagues have gone the extra mile to support communities during COVID, undertaking 60,000 wellbeing calls to customers and delivering food parcels;
- ✓ We continued to work as a Strategic Partner and received £16m 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 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;
- ✓ Effectively mobilised our move to remote and agile working.
- ✓ 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.
- ✓ Developed an Environmental Strategy approach focusing on the five key themes of:
 - Waste Management
 - Water Management
 - Ecological Sustainability
 - Sustainable Procurement
 - Energy and Carbon Consumption

EMH HOUSING AND REGENERATION LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Value for Money

Delivering Value for Money (VfM) is integral to the way the Association 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 regulators Value for Money Standard and associated Code of Practice and the Sector Scorecard.

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 Sector Scorecard comprises a number 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.

A copy of the full Value for Money Self-Assessment Statement will be published on our parent company's website (www.emhgroup.org.uk) including a comparison of the Sector Scorecard against our selected peer group when it becomes available.

During the year we completed 407 new units, 75% of our growth target as a Strategic Partner. The impacts of Covid-19 on the construction industry working practices and supply chain caused a minor delay across our programme. 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. Now in the third year of the Strategic Partnership with Homes England, £39.5m of the grant has been drawn down at the financial year end with £18m being in year. This is over 90% of the grant allocation. There has been a marginal increase in our gearing ratio due to increased borrowings.

Value for Money is central to the delivery of the strategic objectives of the Association 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 Association, and we continue to challenge processes and working practices in order that we can continue to deliver high quality services with fewer resources.

Going Concern

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. The corporate risk map forms the basis of the annual stress-tests undertaken with any mitigating actions identified in the Recovery plan.

EMH HOUSING AND REGENERATION LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Going Concern (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 possible risks, 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;
- The potential increase in the cost of new developments due to delays and shortages of materials;
- 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. Additional costs have also been included to improve energy efficiency, reduce carbon emissions and improve fire safety.
- 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.

Internal Controls

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

The Group Board has overall responsibility for the system of internal control and risk management across the group and for reviewing its effectiveness. The Board confirms that it has an approved fraud policy 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 Group Chief Executive and Directors have reviewed the effectiveness of the internal control and assurance arrangements and have confirmed to the Board that they 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.

EMH HOUSING AND REGENERATION LIMITED

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Statement of Board's Responsibilities in Respect of the Board's 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 association and of its income and expenditure 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 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 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 Association 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. The Association's statement on modern slavery 2017 will be made available on our group website www.emhgroup.org.uk.

The Association adheres to the regulators 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. The Association retains the highest ratings for Governance and Financial 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 Association was compliant with GDPR and the Data Protection Act 2018.

EMH HOUSING AND REGENERATION LIMITED
REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2021

Statement of Compliance (continued)

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.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each 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 Association's auditor is aware of that information.

CHRISTOPHER HOBSON

Chair – EMH Homes

14 September 2021

EMH HOUSING AND REGENERATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMH HOUSING AND
REGENERATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2021

Opinion

We have audited the financial statements of EMH Housing and Regeneration Limited (“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 association as at 31 March 2021 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly 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 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 association or to cease its operations, and as they have concluded that the association’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the Board’s conclusions, we considered the inherent risks to the association’s business model and analysed how those risks might affect 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 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 association will continue in operation.

EMH HOUSING AND REGENERATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMH HOUSING AND
REGENERATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2021

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 association’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 association 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.

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

EMH HOUSING AND REGENERATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMH HOUSING AND
REGENERATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2021

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Firstly, the association 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 association 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 recognising the regulated nature of the association'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 Board's Annual 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.

EMH HOUSING AND REGENERATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMH HOUSING AND
REGENERATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2021

Board's responsibilities

As more fully explained in their statement set out on page 12, 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 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 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

EMH HOUSING AND REGENERATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Turnover	3	103,604	94,482
Operating costs	3	(71,264)	(62,094)
Gain on disposal of tangible fixed assets	8	3,242	9,205
Operating surplus	3	35,582	41,593
Interest receivable and similar income	9	65	589
Interest payable and similar charges	10	(21,886)	(20,160)
Finance income and costs	11	(164)	(377)
Gift aid received		1,400	200
Surplus before tax		14,997	21,845
Tax on surplus on ordinary activities	12	-	-
Surplus for the year	5	14,997	21,845
Other comprehensive income			
Remeasurement of Local Government Pension Scheme	26	(3,029)	4,772
Remeasurement of Social Housing Pension Scheme	26	(4,715)	3,922
Total comprehensive income for the year		7,253	30,539

Turnover is derived from continuing activities.

EMH HOUSING AND REGENERATION LIMITED**STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Tangible fixed assets			
Housing properties	13	840,970	804,049
Other tangible fixed assets	13	7,718	7,919
Investments	14	1,455	1,590
HomeBuy loan receivable		5,554	5,735
Net book value tangible fixed assets		855,697	819,293
Current assets			
Properties for sale and work in progress	15	14,902	13,573
Trade and other debtors	17	16,231	11,059
Investments	18	58,584	28,075
Cash and cash equivalents		22,612	21,191
Total current assets		112,329	73,898
Creditors: amounts falling due within one year	19	(27,466)	(31,547)
Net current assets		84,863	42,351
Creditors: amounts falling due after one year	20	(772,133)	(708,134)
Provision for liabilities			
Other provisions	25	(458)	(119)
Pension liability	26	(14,633)	(7,308)
Net assets		153,336	146,083
Capital and reserves			
Called up share capital	27	-	-
Sinking fund		1,328	1,328
Revenue reserves		152,008	144,755
Total funds		153,336	146,083

These financial statements were approved by the board of directors on 14 September 2021 and were signed on its behalf by:

Christopher Hobson

Chairman

Amanda AshtonBoard
Member**Joanne Tilley**

Secretary

EMH HOUSING AND REGENERATION LIMITED
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital £'000	Revenue reserve £'000	Sinking fund £'000	Total equity £'000
Balance at 1 April 2020	-	144,755	1,328	146,083
Total comprehensive income for the period				
Surplus for the year	-	14,997	-	14,997
Remeasurement of Pension Schemes	-	(7,744)	-	(7,744)
Balance at 31 March 2021	-	152,008	1,328	153,336
Balance at 1 April 2019	-	112,830	1,328	114,158
Total comprehensive income for the period				
Surplus for the year	-	21,845	-	21,845
Revaluation of Investment Properties	-	1,386	-	1,386
Remeasurement of Pension Schemes	-	8,694	-	8,694
Balance at 31 March 2020	-	144,755	1,328	146,083

EMH HOUSING AND REGENERATION LIMITED
CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Cashflows from operating activities			
Operating surplus for the year	3	35,582	41,593
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible fixed assets	13	15,452	14,679
Loan amortisation charges		345	233
Deferred government grants	24	(2,361)	(2,371)
Pensions costs less contributions payable	26	(768)	(857)
Revaluation of Investment Properties		-	1,386
Net book value sales of tangible fixed assets	8	15,408	22,032
Decrease/(increase) in stock		(1,329)	(6,284)
(Increase) in trade & other debtors		(4,122)	(3,954)
Decrease/(increase) in trade and other creditors		(8,842)	9,121
Decrease in provisions and employee benefits		339	23
Net cash from operating activities		49,704	75,601
Cashflows from investing activities			
Interest received		70	579
Gift aid received		1,400	200
Acquisition of tangible fixed assets		(62,674)	(95,613)
Proceeds from receipt of government grants		25,013	13,282
Capitalised development expenditure		(2,490)	(1,989)
Disposal of investment securities		135	(183)
(Purchase)/disposal of short term investments		(30,509)	3,876
Net cash from investing activities		(69,055)	(79,848)
Cashflow from financing activities			
Proceeds from new loans		48,861	49,417
Interest paid		(21,238)	(23,065)
Repayment of borrowings		(6,851)	(25,278)
Net cash from financing activities		20,772	1,074
Net change in cash and cash equivalents		1,421	(3,173)
Cash and cash equivalents at start of period		21,191	24,364
Cash and cash equivalents at end of period		22,612	21,191

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 LEGAL STATUS

emh homes is the trading name of EMH Housing and Regeneration Limited. The Association is incorporated under the Co-operative and Community Benefit Society Act 2014. The company registration number is IP032198. It is registered with The Regulator of Social Housing (registration number 4775). Its principal place of business is Jubilee 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 association 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 Company's ultimate parent undertaking, East Midlands Housing Group Limited includes the company in its consolidated financial statements. The consolidated financial statements of East Midlands Housing Group are available to the public and may be obtained at www.emhgroup.org. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Reconciliation of the number of shares outstanding from the beginning to the end of the period;
Key Management Personnel compensation;
Strategic Report; and
Related Parties note.

As the consolidated financial statements of East Midlands Housing Group include the equivalent disclosures, the Association has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instruments, in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

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 an historical cost basis.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going concern

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 2020 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.

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.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Classification of financial instruments by the Association

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

- a) they include no contractual obligations upon the Association 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 Association; and
- b) where the instrument will or may be settled in the Association's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Association's own equity instruments or is a derivative that will be settled by the Association'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.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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 Association 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-today 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.

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%

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 either the Recycled Capital Grant Fund (RCGF) or the Disposal Proceeds Fund (DPF) 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 Association 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 Association 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 Association 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 Association 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.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through 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.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment excluding stocks and deferred tax assets (continued)

Financial assets (including trade and other debtors)

(continued)

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 Association 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 Association'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 association, its recoverable amount is its fair value less costs to sell. The resulting impairment loss is recognized as expenditure in the statement of comprehensive income.

Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Association's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plans assets is deducted. The Association 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 Association's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Association 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.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

The Association participates in 3 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 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 31 March 2018, it has not been possible for the company to obtain sufficient information to enable it to account for the Pensions Trust Social Housing Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

Leicestershire County Council Pension Fund

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

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

Derbyshire County Council Pension Scheme

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

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

Termination benefits

Termination benefits are recognised when the Association 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.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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 statement of comprehensive income on a straight line basis over the lease term.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Expenses (continued)

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 includes interest receivable on funds invested.

Interest income and interest payable are recognised in the statement of comprehensive income as they accrue.

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.

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
- Obsolescence

Triggers for impairment have been identified and an impairment review has been performed. Further detail is provided in Note 16.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Key Judgements, Estimates and Assumptions (continued)

Value of schemes in development

The Association 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 review of stock has been carried out and further detail is provided in Note 16.

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 26.

EMH HOUSING AND REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

	Turnover	Operating costs / Cost of Sales 2021 £'000	Operating surplus	Turnover	Operating costs / Cost of Sales 2020 £'000	Operating surplus
3 SOCIAL HOUSING						
Social housing lettings						
General needs	58,554	(40,155)	18,399	56,251	(35,779)	20,472
Supported housing and housing for older people	21,829	(15,901)	5,928	21,050	(15,486)	5,564
Low cost home ownership	5,398	(2,376)	3,022	4,746	(1,942)	2,804
	85,781	(58,432)	27,349	82,047	(53,207)	28,840
Other social housing activities						
Support activities	180	(417)	(237)	190	(448)	(258)
Sales of current asset properties	15,845	(11,995)	3,850	10,544	(7,929)	2,615
Other	1,221	(40)	1,181	1,203	(37)	1,166
	17,246	(12,452)	4,794	11,937	(8,414)	3,523
Total social housing	103,027	(70,884)	32,143	93,984	(61,621)	32,363
Non-social housing activities	500	(368)	132	417	(467)	(50)
Non-housing activities	77	(12)	65	81	(6)	75
Total	103,604	(71,264)	32,340	94,482	(62,094)	32,388
Gain on disposal of tangible fixed assets			3,242			9,205
Operating surplus			35,582			41,593

EMH HOUSING AND REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

	General Needs	Supported housing and housing for older people £'000	Low cost home ownership	2021 Total £'000	2020 Total £'000
3 SOCIAL HOUSING					
Rent receivable net of identifiable service charges	54,450	16,651	4,797	75,898	72,772
Service charges receivable	2,388	4,748	351	7,487	6,882
Net rents receivable	56,838	21,399	5,148	83,385	79,654
Amortised government grant	1,716	395	250	2,361	2,365
Other	-	35	-	35	28
Total income from lettings	58,554	21,829	5,398	85,781	82,047
Expenditure on lettings activities:					
Management	13,484	4,143	1,139	18,766	17,046
Services	2,974	4,522	313	7,809	7,182
Routine maintenance	10,329	3,524	30	13,883	12,582
Planned maintenance	2,147	627	8	2,782	2,215
Bad debts	305	110	97	512	250
Depreciation of housing properties	10,899	2,975	789	14,663	13,905
Other costs	17	-	-	17	27
Total expenditure on lettings	40,155	15,901	2,376	58,432	53,207
Operating surplus on lettings	18,399	5,928	3,022	27,349	28,840
Void losses	507	628	3	1,138	1,000

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 Number	2020 Number
4 HOUSING STOCK		
Social housing accommodation		
General needs rented	9,923	10,003
Affordable rented	1,826	1,586
Supported housing & housing for older people	4,178	4,187
Low cost home ownership	1,896	1,733
Managed on behalf of other landlords	12	14
Total social housing managed	17,835	17,523
Non-social housing managed		
Leaseholders	180	181
Freehold	664	660
Commercial	30	30
Registered care bed spaces	-	8
Total non-social housing managed	874	879
Total housing stock	18,709	18,402
Garages and other non-habitable units	935	935
Total units managed	19,644	19,337
Housing units in development pipeline	802	998

At 31 March 2021 the Association owned 600 units (2020: 589) which are managed by agents.

	2021 £'000	2020 £'000
5 EXPENSES AND AUDITORS' REMUNERATION		
<u>Included in surplus are the following:</u>		
Depreciation of housing properties	14,686	13,930
Depreciation of other fixed assets	766	749
Surplus of sale of fixed assets	3,242	9,205
Operating lease payments		
Motor vehicles	110	176
Land and buildings	151	145
Auditor's remuneration:		
Audit of these financial statements	29	29
Other services	22	11

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	Number	Number

6 STAFF NUMBERS AND COSTS

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

Office staff	163	161
Wardens and caretakers	29	26
Hostel staff	0	3
Operatives	157	146
	<hr/> 349	<hr/> 336

	2021	2020
	£'000	£'000

Staff costs for the above persons:

Wages and salaries	10,756	9,735
Social security costs	999	937
Pension costs	1,088	1,303
Termination benefits	44	9
	<hr/> 12,887	<hr/> 11,984

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS

Remuneration of £4k and expenses of £Nil were paid by the Association to the Board of Directors during the year (2020: Remuneration of £9k and expenses of £Nil). The Executive Director is employed by the parent company; East Midlands Housing Group Limited.

Details of Group Board Members pay is disclosed within the consolidated accounts of the parent company, East Midlands Housing Group Limited. The consolidated financial statements of East Midlands Housing Group are available at www.emhgroup.org.

Salary bandings for all employees earning over £60,000 (including salary, pension contribution, benefits in kind and termination payments):

	2021	2020
	Number	Number

Bands		
£60,001 to £70,000	4	4
£70,001 to £80,000	3	2
£90,001 to £100,000	1	1
£101,001 to £110,000	-	1

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £'000	2020 £'000
8 SURPLUS ON DISPOSAL OF FIXED ASSETS		
Disposal proceeds	5,964	16,648
Grant abated	55	1,383
Cost of disposals	(2,777)	(8,826)
	3,242	9,205

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 SIMILAR INCOME

Interest receivable from unlisted investments	65	589
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10 INTEREST PAYABLE AND SIMILAR CHARGES

On bank loans, overdrafts and other loans	24,305	21,192
Less capitalised interest	(2,419)	(1,032)
	21,886	20,160

The interest payable above includes a cost of £975k (2020: £959k credit) in respect of FRS102 Basic Financial Instruments amortised cost valuation method.

11 FINANCING INCOME AND COSTS

Expected return on pension scheme assets	1,351	1,432
Interest on pension scheme liabilities	(1,515)	(1,809)
Net financing (costs)	(164)	(377)

12 TAXATION

Total tax recognised in the statement of comprehensive income	-	-
Reconciliation of effective rate		
Surplus before taxation	14,997	21,845
Total tax expense	-	-
Tax using the UK corporation tax rate of 19% (2020: 19%)	2,849	4,151
Charitable exemption	(2,844)	(4,151)
Group relief	35	-
Corporate interest relief	(40)	-
Total tax expense included in the surplus	-	-

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

13 TANGIBLE FIXED ASSETS

	-----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 and Equipment	Plant and Vehicles	Total other fixed assets	Total fixed assets
Cost											
1 April 2020	50,523	780,888	100,290	2,163	933,864	7,233	362	7,816	342	15,753	949,617
Additions	60,349	-	-	-	60,349	-	-	564	6	570	60,919
Replacement components	(33)	6,693	-	-	6,660	-	-	-	-	-	6,660
Schemes completed in the year	(47,001)	31,396	15,605	-	-	-	-	-	-	-	-
Transfers	-	(682)	682	-	-	-	-	-	-	-	-
Disposals	(13,037)	(3,185)	(1,230)	(6)	(17,458)	-	(45)	(20)	-	(65)	(17,523)
31 March 2021	50,801	815,110	115,347	2,157	983,415	7,233	317	8,360	348	16,258	999,673
Accumulated depreciation											
1 April 2020	-	119,531	7,025	450	127,006	2,792	187	4,610	245	7,834	134,840
Provision in the year	-	13,926	743	17	14,686	124	23	584	35	766	15,452
Transfers	-	(21)	21	-	-	-	-	-	-	-	-
Eliminated on disposal	-	(1,935)	(120)	(1)	(2,056)	-	(45)	(15)	-	(60)	(2,116)
31 March 2021	-	131,501	7,669	466	139,636	2,916	165	5,179	280	8,540	148,176
Impairment											
1 April 2020	-	1,379	1,430	-	2,809	-	-	-	-	-	2,809
31 March 2021	-	1,379	1,430	-	2,809	-	-	-	-	-	2,809
Net book value											
31 March 2021	50,801	682,230	106,248	1,691	840,970	4,317	152	3,181	68	7,718	848,688
31 March 2020	50,523	659,978	91,835	1,713	804,049	4,441	175	3,206	97	7,919	811,968

EMH HOUSING AND REGENERATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £'000	2020 £'000
13 TANGIBLE FIXED ASSETS (CONTINUED)		
The net book value of housing properties comprises		
Freehold	819,619	782,869
Long leasehold	21,351	21,180
Short leasehold	-	-
	840,970	804,049

Additions to housing properties includes:

Capitalised interest	2,419	1,032
(at the Group average borrowing rate)	4.5%	4.7%
Direct administration costs	2,490	1,989

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

14 FIXED ASSET INVESTMENTS

At 1 April	1,590	1,407
Transfer in year	(135)	183
At 31 March	1,455	1,590

The investment is a condition of a loan with THFC where not less than 12 months interest is held in an Interest Service Reserve Fund. The amount is invested by THFC in a UK Treasury 4.75% Gilt due in 2038 with a nominal value of £933k.

15 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

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

16 IMPAIRMENT OF HOUSING & STOCK

Housing Assets

During the year emh homes carried out a desktop review of its property portfolio and identified no triggers for impairment.

Stock

During the year emh homes 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 Association 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.

	2021	2020
	£'000	£'000
17 TRADE AND OTHER DEBTORS		
Current tenant arrears	2,743	3,490
Less provision for bad and doubtful debts	(1,920)	(1,735)
Former tenant arrears	1,118	1,365
Less provision for bad and doubtful debts	(1,118)	(1,365)
Trade debtors	344	406
Less provision for trade debtors	(42)	-
Prepayments and accrued income	12,159	5,359
Other debtors	9	11
Taxation and social security	-	1
Amounts owed by group undertakings	2,938	3,527
Total debtors	16,231	11,059
Due within one year	16,231	11,059
18 CURRENT ASSET INVESTMENTS		
Bank deposits	58,584	28,075

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £'000	2020 £'000
19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Loans and overdrafts (see note 21)	8,669	6,867
Trade creditors	4,608	9,122
Rent received in advance	3,589	3,206
Accruals and deferred income	7,196	8,776
Taxation and social security	-	228
Other creditors	328	147
Pension deficit contributions	1	1
Amounts due to group undertakings	3,075	3,200
	27,466	31,547

20 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR		
Loans and overdrafts (see note 21)	493,199	451,671
Deferred government grants (see note 24)	265,499	244,102
Homebuy grant payable	5,554	5,735
Recycled capital grant fund (see note 23)	7,876	6,620
Pension deficit contributions	5	6
	772,133	708,134

21 LOANS		
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	200,331	200,448
	501,868	458,538

All loans are secured by fixed charges on individual properties.

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

In one year or less	8,669	6,867
Between one and two years	19,532	8,442
Between two and five years	25,455	36,531
In more than five years	448,212	406,698
	501,868	458,538

The loan valuations above include an increase of £712k (2020: £263k decrease) in respect of FRS102 Basic Financial Instruments amortised cost valuation method.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	At 1 April 2020 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2021 £'000
22 ANALYSIS OF CHANGES IN NET DEBT				
Cash and cash equivalents	21,191	1,421	-	22,612
<u>Borrowings</u>				
Debt due within one year	(6,867)	6,867	(8,669)	(8,669)
Debt due after one year	(451,671)	(50,197)	8,669	(493,199)
	(458,538)	(43,330)	-	(501,868)
Total Net Debt	(437,347)	(41,909)	-	(479,256)

23 RECYCLED CAPITAL GRANT FUND

	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

24 DEFERRED GOVERNMENT GRANTS

	Social housing grant £'000	Other government grant £'000	Total £'000
At 1 April 2020	229,825	14,277	244,102
Received in the year	24,223	409	24,632
Released to income in the year	(2,227)	(134)	(2,361)
Disposed in the year	(864)	(10)	(874)
At 31 March 2021	250,957	14,542	265,499

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

25 OTHER PROVISIONS

	Leave Pay £'000	Total £'000
At 1 April 2020	119	119
Provisions made during the year	339	339
At 31 March 2021	458	458

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.

26 EMPLOYEE BENEFITS

The company 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 £'000	Leicestershire County Council	Derbyshire County Council
Net liability at 1 April 2020	3,350	7	(97)	4,055
Loss in the period charged to the profit & loss account	91	-	8	262
(Surplus) in the period charged to other comprehensive income	4,715	-	579	2,450
Deficit contribution paid	(780)	(1)	-	-
Net liability/(asset) at 31 March 2021	7,376	6	490	6,767

The Pensions Trust - Social Housing Pension Scheme

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

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

The last 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.

EMH HOUSING AND REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

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

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February.

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.

	2021	2020
	£'000	£'000
Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)		
Fair value of plan assets	27,511	23,813
Present value of defined benefit obligation	(34,887)	(27,163)
Defined benefit (liability)/asset to be recognised	(7,376)	(3,350)
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	27,163	30,731
Expenses	20	20
Interest expense	639	714
Actuarial losses/(gains) due to scheme experience	(142)	335
Actuarial losses/(gains) due to changes in demographic assumptions	121	(259)
Actuarial losses/(gains) due to changes in financial assumptions	7,491	(3,778)
Benefits paid and expenses	(405)	(600)
Defined benefit obligation at end of period	34,887	27,163

EMH HOUSING AND REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

	2021	2020
	£'000	£'000
Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	23,813	22,907
Interest income	568	539
Experience on plan assets (excluding amounts included in interest income) - gain/(loss)	2,755	220
Contributions by the employer	780	747
Benefits paid and expenses	(405)	(600)
Fair value of plan assets at end of period	27,511	23,813

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 £3,323,000.

Defined benefit costs recognised in statement of comprehensive income (SOCl)

Expenses	20	20
Net interest expense	71	175
Defined benefit costs recognised in statement of comprehensive income (SoCl)	91	195

Defined benefit costs recognised in other comprehensive income

Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)	2,755	220
Experience gains and losses arising on the plan liabilities - (loss)/gain	142	(335)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)/gain	(121)	259
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	(7,491)	3,778
Total amount recognised in other comprehensive income - (loss)/gain	(4,715)	3,922

Assets

Global Equity	4,385	3,483
Absolute Return	1,519	1,242
Distressed Opportunities	794	459
Credit Relative Value	866	653
Alternative Risk Premia	1,036	1,665
Fund of Hedge Funds	3	14
Emerging Markets Debt	1,111	721
Risk Sharing	1,002	804
Insurance-Linked Securities	661	731
Property	571	525
Infrastructure	1,834	1,772
Private Debt	656	480
Opportunistic Illiquid Credit	699	576
High Yield	824	-
Opportunistic Credit	754	-
Corporate Bond Fund	1,626	1,358
Liquid Credit	328	10
Long Lease Property	539	412
Secured Income	1,144	903
Liability Driven Investment	6,992	7,903
Net Current Assets	167	102
Total assets	27,511	23,813

EMH HOUSING AND REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

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	2020
	% per	% per
	annum	annum
Discount Rate	2.19	2.37
Inflation (RPI)	3.26	2.60
Inflation (CPI)	2.87	1.60
Salary Growth	3.87	2.60
	75% of	75% of
	maximum	maximum
Allowance for commutation of pension for cash at retirement	allowance	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

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:

EMH HOUSING AND REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - The Growth Plan (continued)

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

Note that the scheme's previous valuation was carried out with an effective date of 30 September 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.

	2021	2020
	£'000	£'000
<u>Present Value of provision</u>		
Present value of provision at period end	6	7
<u>Reconciliation of opening and closing provisions</u>		
Provision at start of period	7	8
Deficit contribution paid	(1)	(1)
Provision at the end of period	6	7
<u>Assumptions</u>		
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.

EMH HOUSING AND REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26 EMPLOYEE BENEFITS (CONTINUED)

Local government pension schemes

The Association 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 £'000	2020 £'000	2021 £'000	2020 £'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	-	-	62	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	-	-	(4)	(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
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

EMH HOUSING AND REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26 EMPLOYEE BENEFITS (CONTINUED)

Local government pension schemes (continued)

	Leicestershire County Council		Derbyshire County Council	
	2021	2020	2021	2020
Expenses recognised in the profit and loss 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 profit and loss 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)

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. 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.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £'000	2020 £'000
29 CAPITAL COMMITMENTS		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	94,195	74,212
<u>Sources of Funding</u>		
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
<u>Sources of Funding</u>		
Government Grants	8,465	34,256
Secured & Available Facilities	83,633	67,995

30 RELATED PARTIES

No board members or shareholders at 31 March 2021 were tenants of the Association during the year.

During the year emh homes had the following intercompany recharge transactions with non-regulated entities within the emh group.

Sales to:

emh Care & Support Limited	38	38
Midlands Rural Housing	245	240
East Midlands Housing Group Limited	135	132

Sales to emh Care & Support are management charges for housing services. These charges are made at an arm's length commercial rate. Sales to Midlands Rural Housing are management charges for maintenance contract management services. These charges are made at cost. Sales to East Midlands Housing Group are rental charges for an office building. These charges are made at an arm's length commercial rate.

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	£'000	£'000
30 RELATED PARTIES (CONTINUED)		
<u>Purchases from:</u>		
East Midlands Housing Group Limited	11,355	9,491
emh treasury plc	9,306	9,336
Sharpes Garden Services Limited	3,883	3,149
emh Care & Support Limited	408	291
emh Development Company Ltd	3,843	-
<p>Purchases from East Midlands Housing Group are management charges for centrally supplied services (including Finance, ICT, HR). These charges are made at cost plus an appropriate margin. Purchases from emh Treasury are interest charges on funding. These charges are made at cost. Purchases from Sharpes Garden Services are provision of gardening services and contract management services. These charges are made at an arm's length commercial rate. Purchases from emh Care & Support are management charges for care and support services. These charges are made at cost. Purchases from emh Development Company Ltd are provision of design and build services of new properties. These charges are made at cost plus an appropriate margin.</p>		
<p>At the end of the year emh homes had the following intercompany balances with non-regulated entities within the emh group.</p>		
<u>Debtors</u>		
East Midlands Housing Group Limited	1,721	2,633
emh Care & Support Limited	33	30
Midlands Rural Housing	100	20
emh Sharpes	-	343
emh Development Company Limited	1,084	501
<u>Creditors: amounts falling due within one year</u>		
emh Sharpes	290	511
emh Care & Support Limited	60	121
East Midlands Housing Group Limited	-	1,294
emh treasury plc	1,366	1,274
emh Development Company Limited	1,359	-
<u>Loans</u>		
emh treasury plc	200,331	200,448

EMH HOUSING AND REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

31 ULTIMATE PARENT COMPANY

The Association is a subsidiary undertaking of East Midlands Housing Group, which is regarded by the Board of Management as the ultimate parent organisation of the Association. The consolidated financial statements of East Midlands Housing Group are available at www.emhgroup.org.uk