East Midlands Housing Group Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2023

EAST MIDLANDS HOUSING GROUP LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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BOARD MEMBERS

David Russell *(Group Chair)*
Jim Holden *(Group Vice Chair)(stood down September 2022)*
Chandrakant Kataria
Christopher Hobson *(stood down December 2022)*
Vandna Gohil *(stood down September 2022)*
Patricia McCabe *(Group Vice Chair from September 2022)*
Tim Brown
Amanda Ashton
Gail Puttock
Shabir Ismail *(appointed September 2022)*
Margaret Coward *(appointed September 2022)*
Roger Merchant *(appointed September 2022)*

EXECUTIVE DIRECTORS

Chandrakant Kataria
Group Chief Executive

Geoffrey Clarke
Executive Director – Finance

Jo Tilley
Executive Director – Corporate Services

Chris Jones
Executive Director- Development

Chris Ashton
Executive Director – Housing

Ruth Jennings
Executive Director – Care & Support

PRINCIPAL BANKER

Barclays Bank Plc
Leicester
Leicestershire
LE87 2BB

AUDITOR

KPMG LLP
One Snow Hill
Queensway
Birmingham
B4 6GH

SECRETARY & REGISTERED HEAD OFFICE

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

EAST MIDLANDS HOUSING GROUP LIMITED
YEAR AT A GLANCE

FOR THE YEAR ENDED 31 MARCH 2023

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

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

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

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

EAST MIDLANDS HOUSING GROUP LIMITED
STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The Board of East Midlands Housing Group Limited is pleased to present its financial statements for the year ended 31 March 2023. The Group comprises the parent company and wholly owned subsidiaries as set out below.

Background

emh Group started its life as a traditional housing association in 1946 and has since established itself as one of the leading providers of affordable housing in the East Midlands region. The Group manages over 21,000 properties across 49 different local authorities and provides over 9,300 hours of care and support to vulnerable and disabled people each week.

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

About the Group

The chart below shows the structure of the group.

About the Group (continued)

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

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

emh Care & Support Limited
Company Limited by Guarantee under the Charities Commission
Provides landlord and day care services to adults with learning disabilities and other vulnerable people. Delivers circa 9,300 hours of care and support each week within a supported living, registered care and nursing home environment.

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

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

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

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

Corporate Mission and Aims

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

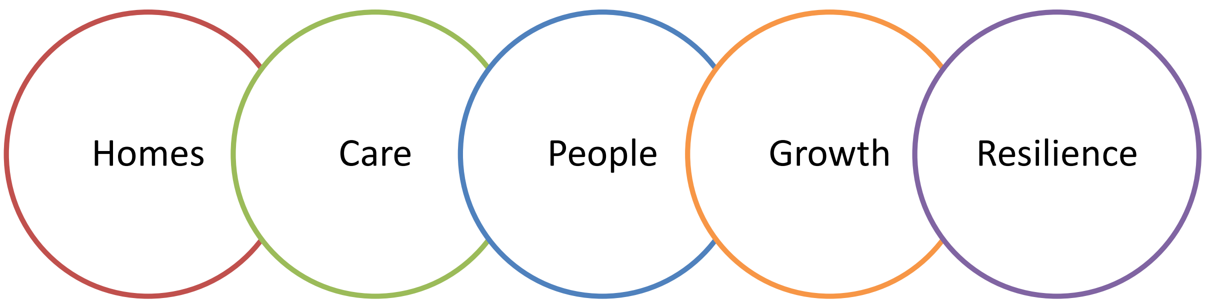
Integrity	We work to the highest ethical standards.
Diversity	We respect others for who they are.
Openness	We are honest and straight forward.
Accountability	We are accountable to and influenced by our customers.
Clarity	We are clear about what we are here to do and why
Excellence	We strive to be the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

Future Plans

We have produced our Better Housing and Care Strategy and Business Plan 2023-2026. Our mission and values wrap around and drive this whole plan. We exist to **provide homes and care to improve opportunities for people**, and we pledge to **do the basics brilliantly and keep on getting better**. The values that underpin everything we do are unchanged. We stand for and pursue **integrity, diversity, openness, accountability, clarity** and **excellence.**

A range of metrics have been developed to measure our journey towards the strategic goals and vision.

We recognise that the sector we operate in is under more focus and scrutiny than ever before. We face increasing demand, rising expectations, greater scrutiny, and financial pressures at a time of global insecurity and uncertainty. Our response is strong and simple: to do things better and to prepare for the future.



To have greater certainty and control over our business, we've switched to having a three-year plan, rather than five years. The impact of inflation and economic insecurity, wars, climate change, demographics and artificial intelligence make it much harder to predict events and market conditions than before.

We want to do the basics brilliantly and believe there are 10 outcomes and enablers in doing so.

Outcomes;	***Making it Happen***
➢ Building quality new Homes	Strong financial position
➢ Fit for purpose repairs and customer service	Comprehensive asset information
➢ A stronger voice for customers	Secure and reliable data on homes and people
➢ Best use of assets with sustainable housing & care	Robust health & safety and compliance
➢ A culture of EDI, safety and wellbeing	Maintain skilled & diverse Board membership

1. Homes

A safe, secure and affordable home is the foundation for a happy, healthy and successful life. We will continue to provide homes that are comfortable, well maintained, closely managed and kind to the environment. We will continue to help prevent and respond to homelessness.

- We have updated our customer service strategy with a focus on right first time. We will actively seek to improve satisfaction, lower complaints and produce less waste;
- We are streamlining our services through 'The Big Project' to maximise value for money and efficiency from our in house maintenance team;

Future Plans (continued)

- We will review our service delivery model to reflect the priorities in the Better Social Housing Review, allowing colleagues to be a stronger and more visible presence in local areas and strengthening communities;
- Having developed a 'Lets Influence Strategy' we will bring colleagues and customers together to improve homes, care and services;
- We will embed the 3R's brand voice, Resolute, Respectful and Reliable, into our communication with customers to achieve a consistent style and standard;
- We are committed to meeting the updated Decent Homes Standard and ensuring that every property has an Energy Performance Certificate rating of at least C by 2030;
- We are active members of the Homes for Cathy and will continue to work within our Homelessness Strategy.

2. Care

The long-term funding and sustainability of social care for people in later life and those with disabilities or who need extra support for any other reason remains one of Britain's biggest challenges. Our care business needs to meet the highest standards of performance, quality and compliance and be financially viable.

- We will continuously monitor the quality and compliance of our services, ensuring they remain safe, effective, caring, responsive and well led;
- We will continue to build mixed tenure, Extra Care schemes including provision for working age people;
- We will improve financial viability of the Care Business, generating sustainable surpluses, and demonstrating strong budgetary controls within a delegated framework ensuring our assets meet all required standards and are fit for purpose;
- We will address the people resource and skills gap within the business, deliver higher retention rates and lower employee turnover; introducing an effective people management and training matrix; and highly productive, motivated and engaged colleagues;
- We will ensure all care records are digitised by 2024;
- We will draw on our experience and expertise in care to lead on safeguarding compliance for all customers and colleagues.

3. People

Housing and Care are people businesses. Systems and processes are important too, but it's the motivation, engagement and skills of people that make the right things happen. We'll continue to invest in our culture, customers and colleagues to get the best for and from everyone involved in our business.

- We will develop inclusive leadership that champions agility and change readiness;
- We will plan ahead to ensure smooth succession in our board and committees;
- We will continue to ensure that all line managers are trained coaches;
- We will embed an inclusive culture using the Cultural Values Assessments;
- We will continue to invest in our aspiring leaders and managers programmes;
- We will develop a revised Equality, Diversity and Inclusion People Strategy;
- We will continue to support colleagues with the Employee Assistance Programmes.

4. Growth

Our business cannot and will not stand still. While striving to do the basics brilliantly, we will continue to provide up to 500 new homes in each year of this plan. As a Homes England Strategic Partner we'll make the best use of grants, private finance and partnerships to build a mix of affordable homes to meet a wide range of needs in both urban and rural communities.

- We will continue to build new properties in close partnership with the local authorities;
- We will further strengthen our strategic partnership with Homes England;

Future Plans (continued)

- We will provide a professional sales and after sales service to all customers;
- We will work toward all new homes adhering to the Future Homes Standard and at least an EPC rating of C;
- We will build at least 2 mixed tenure Extra Care and a range of supported living schemes.

5. Resilience

Inflation, cost-of-living and interrupted supply chains create new risks to our stability, which we expect to continue or increase. We need to be a financially secure and efficient business with good data, and that's focused on value for money and being ready for whatever the future brings.

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

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

Leadership and Governance

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

Strong leadership is pivotal to delivering high quality services. Our Board 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 at least four times a year and are committed to continued board development.

On an annual basis we carry out a review of the effectiveness of our Board and this is independently reviewed every three years. We have also undertaken an external review of our corporate and governance structures during the year which confirmed that these remain appropriate. The Association has adopted and is compliant with the National Housing Federation 2020 Code of Governance.

Customer influence plays a vital role in shaping the future of the Association. Over the last 12 months, we have developed our resident influence structures, established new resident groups, and targeted our customer involvement activities to ensure we meet the expectations of the Social Housing Regulation Bill. The new structures and resident groups will improve the way we seek out, listen to and act on the voice of the customer. At the start of the year, we undertook a large-scale resident recruitment campaign to increase and diversify our pool of involved residents. We currently have 1, 606 engaged residents, who regularly take part in online consultations, surveys, focus groups, estate inspections, policy reviews and service investigations.

Board membership, remuneration and attendance

Name and Remuneration	Board Member	Audit Committee	Treasury Committee	Remunerations & Governance Committee	Board Meeting Attendance
EAST MIDLANDS HOUSING GROUP LIMITED					
Amanda Ashton *£11,965.36*	◆				5/5
Gail Puttock *£10,062.52*	◆				4/5
Tim Brown *£10,062.52*	◆				5/5
Vandna Gohil* *£4,646.35*	◆				3/3
Jim Holden* *£6,262.93*	◆				3/3
Christopher Hobson** *£11,053.73*	◆				4/4
Chandrakant Kataria *Paid as an executive*	◆				5/5
Patricia McCabe *£11,787.31*	◆ **Vice-Chair**			◆ **Chair**	5/5
David Russell *£22,979.25*	◆ ***Chair***		◆ ***Chair***		5/5
Shabir Ismail*** *£5,549.77*	◆				2/2
Roger Merchant*** *£5,121.31*	◆	◆ **Chair**			2/2
Margaret Coward*** *£7,041.64*	◆				2/2

*Left September 2022 **Left December 2022 ***Appointed September 2022

Business Review and Operating Environment

The needs of our customers continue to change with many requiring more from us as a care and housing provider. The ongoing rises in living costs, especially heating, fuel and food, are placing considerable financial burdens on many of our tenants and residents. With an ageing population and a fragile care system, we face challenges to both the housing and care sectors. We want to remove the stigma attached to the social housing and care sectors and to bring about a change in perceptions so our customers, colleagues and others across the sectors can be proud about social housing and care. We have a lot to achieve, but emh group is already very proud to provide housing and care services to residents and service users in circa 21,800 properties with a turnover of £130million and circa 1,100 employees. Our objectives remain relevant even when facing unprecedented changes to our operating context - changes that have and continue to present us with both challenges and opportunities, and we embrace both.

The Better Social Housing Review 2022 sets the future expectations of the sector and we have developed an action plan to implement the recommendations. We welcome the emphasis on housing providers refocusing on their core purpose, and the commitments to positive placeshaping and levelling up. The Review complements many of the requirements contained in the Social Housing Regulation Act, including closer consumer regulation and inspection, strengthened powers for the Housing Ombudsman Services and a new framework of Tenant Satisfaction Measures. We embrace all these changes to give customers greater assurance about the homes and services they have a right to expect. Uncomfortable as it can be, the media and public are right to highlight instances where housing providers fail to meet their obligations or basic standards of safety, listening and responsiveness. We resolve to avoid these

Business Review and Operating Environment (continued)

situations in our business, and to put things right quickly and be held to account if they do ever occur.

As a PlaceShapers housing provider, we're always conscious of the wider impact of our work and the opportunities it creates. Our environmental, social and governance (ESG) plan sets out a range of initiatives – from digital inclusion to waste recycling and town regeneration – with regular reporting and monitoring of progress against the relevant United Nations Sustainable Development Goals.

We are proud to have retained our accreditation as an Investors in People Gold organisation, showing true testament to our colleagues. We have expanded the team of cultural transformation practitioners trained within the Group; and have established an Aspiring Leader's programme to sit alongside our Aspiring Manager's programme, with a strong focus on growing our own talent across our business. A move to permanent home and flexible working for many of our staff has been well received with additional training and support provided to facilitate this change. All managers have been trained in coaching techniques to further improve support for colleagues across the organisation.

Due to the ongoing hard work and dedication of our Income team we have exceeded our arrears target of 3.50% achieving 3.25% at year end. We have also seen strong property sales continue as the market remains buoyant in our operating area. The cost of living crisis is likely to have a further impact going forward and our stress testing shows that whilst financial performance may vary in the short term, viability will not be threatened. This situation will be monitored as the situation develops.

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, homelessness and living standards. Having been in operation for over 75 years and with expertise including rural housing, specialist and supported housing and the profile and reputation to influence at both a local and national level within the sector, we are well placed to be part of the solution.

Having strengthened our Strategic Partnership with Homes England we now aim to develop up to 500 new homes each year across the region, with a mix of social rent, affordable rented, low-cost home ownership and market sale properties. Being able to offer a balanced mix of new homes will allow us to support and build sustainable communities. Our development programme now includes more land-led schemes alongside the traditional S106 and package deals following the incorporation emh Development Company Limited.

We are also focused on the standard of our current homes. As homes account for about a third of all the UK's carbon emissions, it is imperative for us to upgrade properties to make them better insulated, more energy-efficient and affordable to heat.

We remain committed to making a real difference to homelessness. Preventing, reducing and responding to homelessness remains a key priority as no one should be without somewhere safe, secure and affordable to live. We are pleased to support 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, and important local partnerships to rehouse refugees.

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. Following an In-Depth Assessment in early 2023 our grading changed to G1/V2. Following the review it was deemed that whilst emh remain financially stable the risk of managing external factors has increased. This change was felt by many in the sector and reflective of the challenges being faced across the country. Our A+ negative rating has been confirmed by Standard & Poors in year.

Business Review and Operating Environment (continued)

Our Care and Support arm delivers vital services to adults with learning disabilities, mental health problems and the elderly and is an important part of our service offering. Ensuring the well-being, independence and fulfilment of our customers is paramount. Financial year 2022-23 was another challenging year with the sector seeing the impacts of resource scarcity and increasing costs. We remain under increasing pressures and are working hard to ensure that all of our services are financially viable whilst maintaining a safe and effective service. Our flagship extra care scheme in Ashby de la Zouch, providing shared ownership and rented homes for those with care and support needs, is thriving. This development has proved to be extremely popular both with residents and the community. Under the ongoing strategic partnership with Homes England we have plans in place to develop a further 2 extra care schemes cementing ourselves as leading care providers.

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

- Winner of the British Chambers of Commerce (BCC) Chamber Business Awards in the Equality Trailblazer for the East Midlands region.
- Highly commended Vulnerable Customer Support Organisation in the Energy Efficiency Awards 2023
- Winner of Housing Association/Landlord in the Energy Efficient Awards 2023 for the 3rd year running.

Risk Management

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

Risk Management (continued)

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

Risk Management (continued)

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

Internal Controls

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

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

Internal Controls (continued)

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

Achievements in 2022-23

Financial Performance

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

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

Year ended	31 March 2023 £millions	31 March 2022 £millions
INCOME AND EXPENDITURE		
Turnover	130.0	121.7
Operating costs & cost of sales	(103.8)	(94.8)
Sales of other fixed assets	5.2	4.9
Operating surplus	**31.4**	**31.8**
Operating margin	**24%**	**26%**

Our operating surplus for the year was £31.4m, generating an operating margin of 24%. Whilst the surplus is in line with 2022 the margin has reduced as costs have increased at a faster rate than income. This is testament to our focus on ensuring our homes are of the best standard achievable.

The operating surplus on our social housing lettings activities was £22.2m, £2.9m lower than in the prior year. Whilst the increased unit numbers have generated some additional income the continued commitment to further invest in our maintenance service, management and estate costs is evident.

The operating surplus of £5.5m on other social housing activities is significantly higher than the £3m in the previous year. This is partly due to first tranche sales in the year which despite not achieving the anticipated volumes delivered a higher margin.

Our analysis of care and support income and costs has highlighted that whilst the margins on our care activities have always been low this year has seen a significant impact on costs. In an unprecedented year we have been unable to achieve the target 5% margin on these activities with an overall deficit of £1.5m. This was expected and is largely due to resource issues in the sector.

Achievements in 2022-23 (continued)

Financial Performance (continued)

Year ended	31 March 2023 £millions	31 March 2022 £millions
STATEMENT OF FINANCIAL POSITION		
Housing properties less depreciation	993	928
Other fixed assets	19	20
Total fixed assets	**1,012**	**948**
Net current assets	27	43
Long-term loans & liabilities	(797)	(756)
Net assets	**243**	**235**
Revenue & other reserves	**243**	**235**
Increase in housing property cost	**7.0%**	**5.0%**
Number of units in management	**21,795**	**21,411**
Interest cover	**101%**	**130%**
Interest cover (Including Sales)	**123%**	**178%**
Gearing	**49%**	**48%**

Total tangible fixed assets increased by £65m in the year predominantly due to our investment in new properties and capital maintenance of our existing properties including replacement kitchens, roofs, windows & doors and electrical rewire programmes. Our ongoing commitment in these areas is evident following increased spend in this area supported by Social Housing Decarbonisation Fund support.

Net current assets reduced in year, a decrease of £16m. A reduction in cash and investment balances of £17m, largely attributable to decreased investments has driven this. Creditors increased by £3m.

Borrowing increased from £493m to £530m. £50m revolving credit facility with Santander matured in year leaving an available facility of £140m with £60m drawn down. As part of the debt restructuring work, loans with Dexia and Barclays were repaid to allow more internal control on on-lending and two bonds sold. The objective of this restructure is to improve the headroom in the interest cover covenants by excluding the impact of major repairs which allows greater flexibility to deliver improvements to existing homes, increase on lending to fund the Group and provide additional liquidity. Our overall pension deficit liabilities increased during the year. Whilst there have been slight amendments in the assumptions for SHPS the significant changes are within LGPS. The triannual revaluation has taken place with changes to all base assumptions.

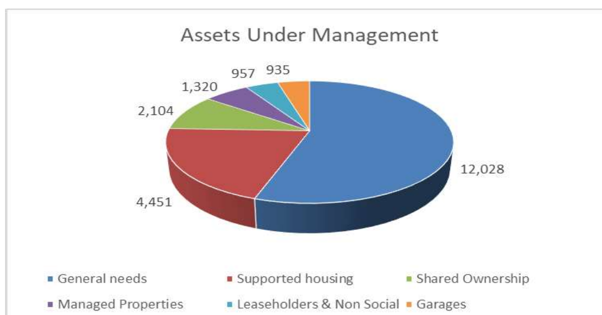
Achievements in 2022-23 (continued)

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

In 2022-23 the increased expenditure exceeded income growth as we continued to invest in our services and homes as part of our ongoing commitment to our residents and service users.

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

We continue to work with the local authorities in our operational areas to ascertain housing need and are actively pursuing new growth and funding opportunities working closely with Homes England and other providers.

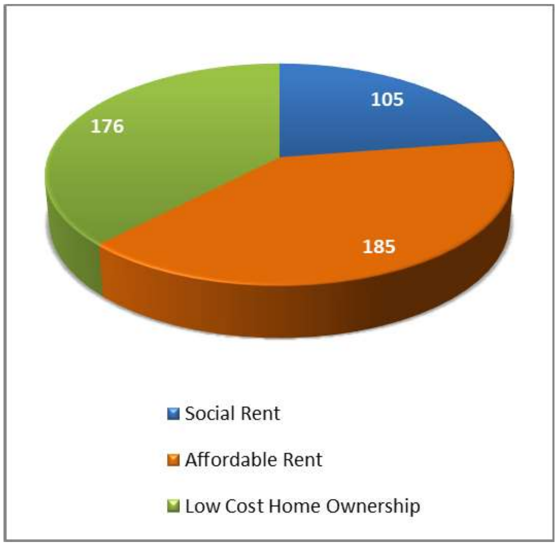


Development Performance

The Group lead the Quantum Development Consortium and are lead partners with Homes England. We recognise that housing associations have a key role to play in tackling the national housing crisis. We are coming to the latter stages of our strategic partnership, phase 1, with Homes England, having ensured that all 948 new homes are either delivered or onsite, with all £43.4m grant having been drawn down. We were also underway with the second phase of the partnership having been awarded a further £88m to develop 1,750. The partnership has therefore seen our development programmes escalate. Our ambitious growth targets are fully embedded in our Development Strategy, showing our commitment to increased growth. We have achieved 83% of our target of 2,750 new homes over a five-year period and are proud of the growth we have delivered. The strategy sets out our preferred tenure mix and development type to fulfil these ambitions. We are pursuing more land-led opportunities using our development company.

Achievements in 2022-23 (continued)

Key development achievements during the year included:



✓ Achieved over 90% of our targeted completions with 466 new homes being delivered on behalf of the Group, achieving annual growth of 1.5%;

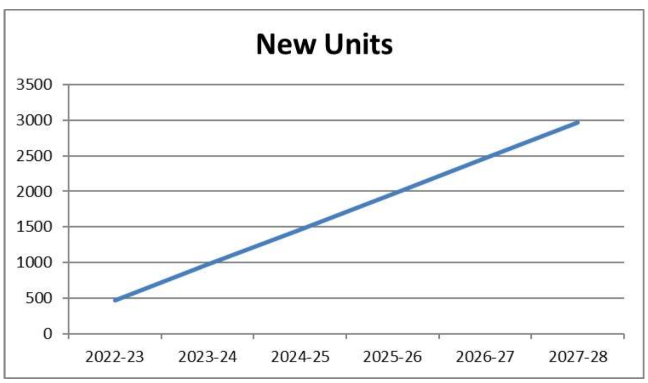
✓ Realised proceeds of £13.1m from shared ownership first tranche sales and £9.1m from other sales including asset disposals, Right to Buy, Voluntary Right to Buy and stair casing;

✓ We have 1,103 new homes on site which will be delivered in future years;

✓ Received £9.3m of grant from Homes England including £8.5m of Strategic Partnership phase 2 , and £0.8m of SOAHP grant.

Our Development Schemes

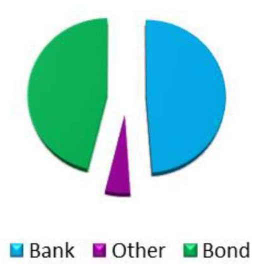
We have an excellent reputation for delivering a range of tenures to meet the growing demand for affordable housing within our diverse geographical area of operation. Our commitment remains to develop circa 500 new units per year. We are particularly proud of the following schemes completed during the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



✓ RSAP project – part of the levelling up initiative to provide 6 one bed homes for rough sleepers;
✓ Chesterfield Road, Duckmanton – A 26 unit scheme providing a mix of homes in conjunction with North East Derbyshire District Council.
✓ Station Road, Beeston – emh's first modular development of 42 units. All units were constructed in a factory and installed on site The land was a brownfield site and has transformed the locality.

Achievements in 2022-23 (continued)

Treasury Management



The Group's total borrowings increased in the year by £38m to £530m at the year end due to contractual repayments.

Additional funding of £140m secured in year with £80m available to draw down.

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

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

The Group had cash balances of £46.5m at the year-end including £3.5m of deposit investments. We also have access to £140m through a revolving credit facility which is all secured.

Business Plan Objectives

During the year significant progress was made against the targets in our last Business Plan 2018-23. Highlights over the five years include:-

- ✓ We have established partnership arrangements with a number of local authorities to tackle homelessness;
- ✓ We have achieved 85% of our target to develop 2,500 new homes over the five years;
- ✓ We have helped 1,134 households into home ownership;
- ✓ We are providing care and support services to over 1,000 customers;
- ✓ 91% satisfaction achieved with condition of our homes;
- ✓ We have 1,606 actively involved residents;
- ✓ We achieved 134 1st tranche sales in year exceeding the required margin. We also secured 42 staircasing sales;
- ✓ We continued to work as a Strategic Partner and received £8.5m in the year, further strengthening our relationship with Homes England;

Business Plan Objectives (continued)

- ✓ 74% of our tenants have signed up to our online portal;
- ✓ Supporting over 200 apprentices to date and continuing to invest in current talent;
- ✓ We maintained our credit rating following a reassessment by Standard and Poor's, highlighting our improving operational performance and significant development programme;
- ✓ Publishing our Environmental, Social and Governance report and made a successful bid via Midlands Energy Hub for the second wave of Social Housing Decarbonisation Fund to improve EPC ratings a further 320 homes over the next 2 years.

Value for Money

Delivering Value for Money (VfM) is integral to the way the Group operates and as such is overseen directly by the Group Board. During the year the Board approved a new Value for Money Strategy, aligned to the regulator's Value for Money Standard and associated Code of Practice and the Sector Scorecard and we apply the Strategy across all activities within the Group regardless of which entity operates them. Delivering efficiency savings 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. We have undertaken an external review of key services alongside on going internal action planning to ensure we achieve Value for Money in all aspects of our undertakings.

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

The table below comprises the regulator's mandatory metrics based on the latest financial performance, compared to the prior year and our selected peer group.

Regulators Metrics	emh group 2023	emh group 2022	Trend	2022 Peer Group*
Operating margin (excl surplus on sales)	20.2%	22.1%		20.4%
Operating margin – social housing lettings	23.0%	27.8%		26.02%
EBITDA MRI % interest cover	101.3%	127%		126.55%
Units developed as % of unit owned	2.5%	1.8%		1.74%
Gearing	49%	48.2%		42.%
Reinvestment %	10.5%	8.2%		8.17%
Return on capital employed	3.0%	3.2%		3.21%
Headline social housing unit cost	£3,596	£3,193		£3,864

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

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

Value for Money (continued)

Our operating margin on all activities and our operating margin on social housing lettings reduced this year compared to the prior year. This was not unexpected as we continue to invest in our homes and communities. Our residents' expectations are high following government initiatives. Operating costs in relation to turnover increased across the board, most notably for our Supported Housing and Low Cost Home Ownership properties. Challenges with staffing to provide our high level support service resulted in an increase in costs on support activities, while increased cost of sales impacted our first tranche sales activity.

Our headline social housing cost is £3,596 per unit, a significant increase of 12.6% on the prior year and broadly in line with inflation as per our Business Plan target. Management costs increased by 14% in year due to increased overhead costs. We remain strongly committed to maintaining and improving our properties and are undertaking a stock condition review programme to enable us to ascertain a more detailed and precise programme of works alongside the EPC C programme. With Board support the maintenance programme grew again in 2022-23 with an increase of 13.8% per property and 10.6% per property for major repairs. Once again we saw increased costs for void properties which is being closely monitored and analysis work carried out. During these challenging times for our residents we are proud to be able to demonstrate that we are committed to investing in our existing properties and therefore see the increase of 12.6% in our unit cost as a positive outcome with the investment in maintenance and major repairs, including decarbonisation works, being evident.

During the year we completed 466 new units of our 500 unit target achieving circa 93% of our intended growth. This is a significant increase on the volumes completed last year and has been achieved despite the ongoing sector issues with materials, resources, planning and cost increases. We were able to achieve our commitment under Strategic Partnership 1 and remain confident that we can also deliver under wave 2. At the year-end we had 1,103 new homes on site which will be delivered in future years. We achieved our target of owning and managing over 21,500 homes by 2023. Whilst we come to the end of the first wave of Strategic Partnership the second wave is now in its second year with grant of £8.5m having been claimed in year. This partnership will see us draw down £88m of grant to complete 1,750 new properties over the next 3 years.

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

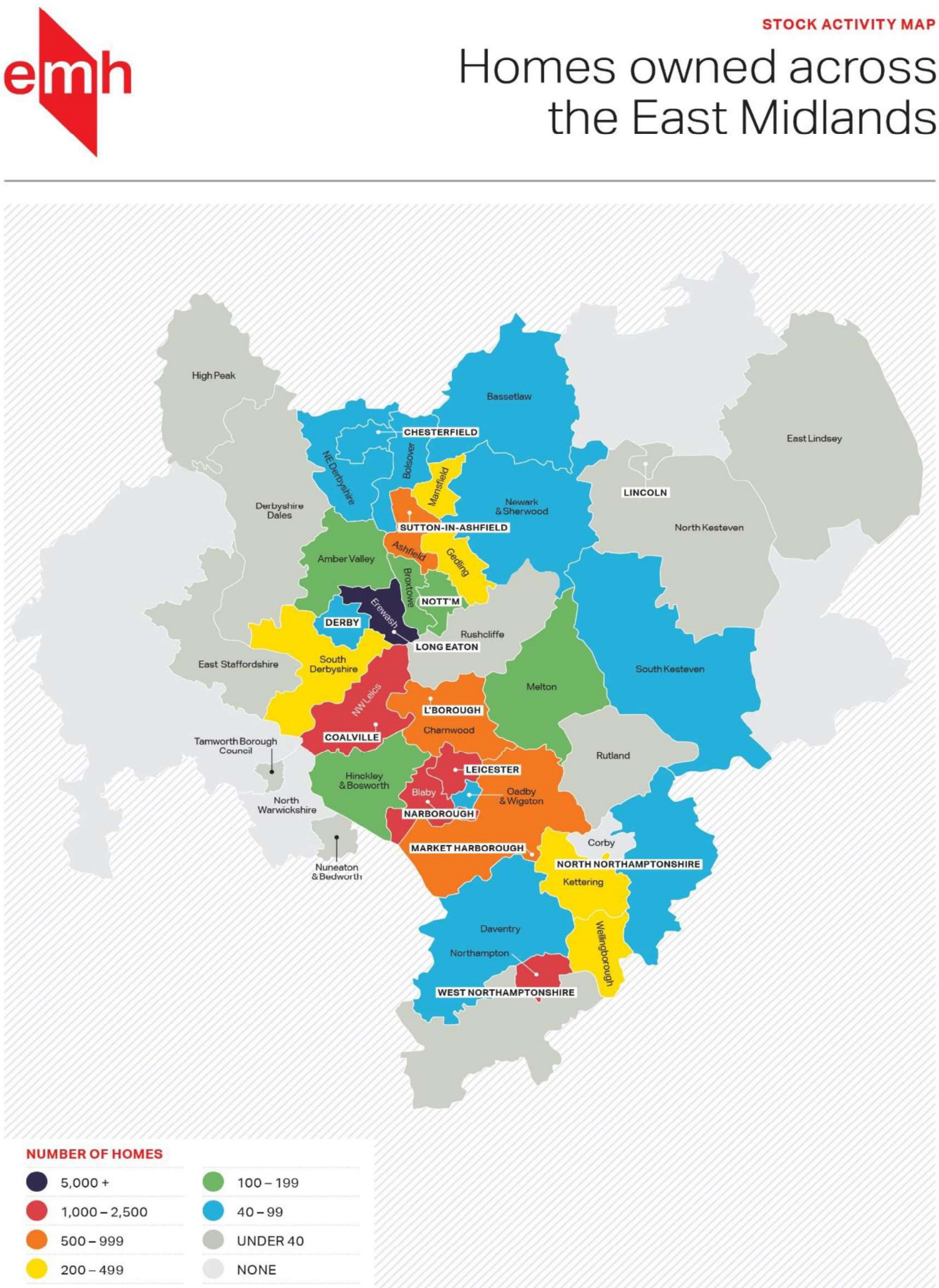
Value for Money (continued)

Sector Scorecard	emh group 2023	emh group 2022	Trend
Units developed	466	343	
Customer satisfaction with services provided by landlord	81%	81%	
Rent collected	99.53%	99.8%	
Occupancy	98.55%	98.5%	
Ratio of responsive repairs to planned maintenance	1.08	1.16	
Management cost per unit	£1,173	£1,029	
Services cost per unit	£500	£452	
Maintenance cost per unit	£1,143	£1,004	
Major repairs cost per unit	£734	£664	
Other social lettings cost per unit	£46	£44	

The table above gives a summary of the additional Sector Scorecard metrics based on the latest financial performance, compared to the prior year.

Value for Money is central to the delivery of the strategic objectives of the Group and in the current operating environment there is increasing pressure to reduce costs and provide cost effective services. Delivery of value for money is key for the group and we continue to challenge processes and working practices in order that we can continue to deliver high quality services with fewer resources. Value for money action plans are in place and being monitored to ensure progress.

Operational Area



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

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Statement of Compliance

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

Statement of Compliance (continued)

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

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

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 2023, the Group were compliant with GDPR and the Data Protection Act 2018.

At 31st March 2023, emh group, emh homes, emh care and support and Midlands Rural Housing were compliant with the National Housing Federation's 2020 Code of Governance. The code has not been adopted by Sharpes Garden Services or emh Treasury PLC. The annual self-assessment of compliance with both the Regulator of Social Housing Governance and Viability Standard, and the NHF Code of Governance (2020) confirmed full compliance for the year ended 31 March 2022.

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

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

Disclosure of information to auditor

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

D. M. Russell

DAVID RUSSELL

Chairman

28 July 2023

Opinion

We have audited the financial statements of East Midlands Housing Group Limited ("group and the association") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows 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 the Group and Association's affairs as at 31 March 2023 and of the income and expenditure of the Group and the Association for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

We did not identify any additional fraud risks.

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

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual account combinations, journals posted to seldom used accounts and unexpected expenditure journals at posted at period end.

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

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

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

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

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

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

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

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

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

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

Other information

The Board are responsible for the other information, which comprises Chair's report, Report of the Chief Executive, Strategic Report, the Chief Finance Officer's report, the Corporate Governance statement and the Internal Control Statement. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over its 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 require for our audit.

We have nothing to report in these respects.

Board's responsibilities

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

Auditor's responsibilities

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

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

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

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association for our audit work, for this report, or for the opinions we have formed.

VSewell

Victoria Sewell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Suite 23
BLOCK
Royal William Yard
Plymouth
PL1 3RP
15 September 2023

EAST MIDLANDS HOUSING GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Note	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Turnover	3	130,015	14,308	121,656	13,700
Operating costs	3	(103,792)	(13,465)	(94,806)	(12,595)
Surplus/(deficit) on disposal of tangible fixed assets	8	5,203	-	4,981	(38)
Operating surplus	3	31,426	843	31,831	1,067
Interest receivable and other income	9	149	23	40	22
Interest payable and similar charges	10	(24,789)	-	(20,340)	-
Finance income and costs	12	(219)	(28)	(392)	(45)
Donation	11	-	-	-	(340)
Surplus before taxation	5	6,567	838	11,139	704
Tax on surplus on ordinary activities	13	(78)	(14)	(49)	(38)
Surplus for the year		6,489	824	11,090	666
Other comprehensive income					
Remeasurement of Local Government Pension Schemes	28	3,212	-	5,040	-
Remeasurement of Social Housing Pension Schemes	28	(1,337)	(204)	4,197	839
Remeasurement of the Reimbursement Asset	28	(579)	-	454	-
Total comprehensive income for the year		7,785	620	20,781	1,505

Turnover is derived from continuing activities.

The accompanying notes form part of these financial statements.

EAST MIDLANDS HOUSING GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Fixed assets					
Housing properties	14	993,556	-	928,359	-
Other tangible fixed assets	14	12,483	1,668	13,176	1,106
Investments	15	1,256	217	1,548	217
Investment in subsidiaries	16	-	93	-	93
HomeBuy loan receivable		5,057	-	5,194	-
Net book value fixed assets		1,012,352	1,978	948,277	1,416
Current assets					
Reimbursement Assets (including £73k due after 1 year)	28	164	-	882	-
Properties for sale and work in progress	17	19,471	-	15,366	-
Trade and other debtors (including £431k due after 1 year)	19	7,798	2.790	7,166	3,432
Investments	20	3,490	-	18,415	-
Cash and cash equivalents		43,100	1,090	44,896	1,401
Total current assets		74,023	3,880	86,725	4,833
Creditors: amounts falling due within one year	21	(47,122)	(3,189)	(43,588)	(4,083)
Net current assets		26,901	691	43,137	750
Total assets less current liabilities		1,039,253	2,669	991,414	2,166
Creditors: amounts falling due after one year	22	(789,886)	-	(746,665)	-
Provisions for liabilities					
Leave provision	27	(452)	(164)	(717)	(230)
Pension liability	28	(6,386)	(1,103)	(9,288)	(1,154)
Net assets		242,529	1,402	234,744	782
Capital and reserves					
Called up share capital	29	-	-	-	-
Restricted reserves		731	-	742	-
Sinking fund		-	-	-	-
Revenue reserves		241,798	1,402	234,002	782
Total funds		242,529	1,402	234,744	782

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 28 July 2023 and were signed on its behalf by:

D. M. Russell
DAVID RUSSELL
Chairman

Chan Kataria
Chan Kataria (Sep 11, 2023 22:35 GMT+1)
CHANDRAKANT KATARIA
Chief Executive

J.Tilley
J.Tilley (Sep 11, 2023 22:36 GMT+1)
JOANNE TILLEY
Secretary

EAST MIDLANDS HOUSING GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

GROUP	**Called up share capital**	**Revenue reserve**	**Restricted reserve**	**Sinking fund**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2022	-	234,002	742	-	234,744
Total comprehensive income for the period					
Surplus for the year	-	6,500	(11)	-	6,489
Remeasurement of Pension Schemes	-	1,875	-	-	1,875
Remeasurement of the Reimbursement Asset	-	(579)	-	-	(579)
Balance at 31 March 2023	-	241,798	731	-	242,529
Balance at 1 April 2021	-	211,882	753	1,328	213,963
Total comprehensive income for the period					
Surplus for the year	-	11,101	(11)	-	11,090
Transfers	-	1,328	-	(1,328)	-
Remeasurement of Pension Schemes	-	9,237	-	-	9,237
Remeasurement of the Reimbursement Asset	-	454	-	-	454
Balance at 31 March 2022	-	234,002	742	-	234,744

PARENT	**Called up share capital**	**Revenue reserve**	**Restricted reserve**	**Sinking fund**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2022	-	782	-	-	782
Total comprehensive income for the period					
Surplus for the year	-	824	-	-	824
Remeasurement of Pension Schemes	-	(204)	-	-	(204)
Balance at 31 March 2023	-	1,402	-	-	1,402
Balance at 1 April 2021	-	(723)	-	-	(723)
Total comprehensive income for the period					
Surplus for the year	-	666	-	-	666
Remeasurement of Pension Schemes	-	839	-	-	839
Balance at 31 March 2022	-	782	-	-	782

The accompanying notes form part of these financial statements.

EAST MIDLANDS HOUSING GROUP LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

GROUP	Note	2023 £'000	2022 £'000
Cashflows from operating activities			
Operating surplus for the year	3	31,426	31,831
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	13	19,783	18,338
Amortisation charges		936	436
Deferred government grants	3	(2,539)	(2,438)
Pensions costs less contributions payable	28	(1,972)	(631)
Corporation Tax		(29)	(72)
Net book value sales of other tangible fixed assets		21,356	14,668
(Increase) in stock		(4,104)	(465)
Decrease in trade & other debtors		85	8,200
Increase in trade and other creditors		2,010	6,702
(Decrease) in provisions and employee benefits		(261)	(210)
Net cash from operating activities		**66,691**	**76,359**
Cashflows from investing activities			
Interest received		146	42
Acquisition of tangible fixed assets		(100,041)	(75,396)
Proceeds from receipt of government grants		10,745	6,380
Capitalised development expenditure		(2,592)	(2,530)
Disposal of investment securities		292	124
Disposal of short term investments		14,925	40,169
Net cash from investing activities		**(76,525)**	**(31,211)**
Cashflow from financing activities			
Proceeds from new loan		105,089	(132)
Interest paid		(27,841)	(23,267)
Repayment of borrowings		(69,210)	(8,669)
Net cash from financing activities		**8,038**	**(32,068)**
Net change in cash and cash equivalents		(1,796)	13,080
Cash and cash equivalents at start of period		44,896	31,816
Cash and cash equivalents at end of period		**43,100**	**44,896**

The accompanying notes form part of these financial statements.

1 LEGAL STATUS

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

2 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Group and company are prepared in accordance with Financial Reporting Standard 102 - the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

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

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

Measurement convention

The financial statements are prepared on the historical cost basis.

Basis of consolidation

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

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

Going Concern - Group

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

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2023 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going Concern - Group (continued)
The board, after reviewing the group and company budgets for 2023/24 and the group's medium term financial position as detailed in the 30-year business plan, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash, unutilised loan facilities of £80m and retained bonds of £50m which gives significant headroom for committed spend and other forecast cash flows that arise;
- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Classification of financial instruments by the Group

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

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

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

Basic financial instruments

Tenant arrears, trade and other debtors

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

Trade and other creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Fixed Assets

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

Employee benefits

Defined benefit plans

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

The Pensions Trust Social Housing Pension Scheme
The 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 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.

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Turnover

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

Expenses

Operating Costs

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

Operating leases

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

Interest receivable and Interest payable

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

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

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

VAT

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

Key Judgements, Estimates and Assumptions

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

The recoverability of rent arrears and trade debtors

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Key Judgements, Estimates and Assumptions (continued)

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

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

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

No triggers for impairment have been identified.

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

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

No triggers for impairment have been identified

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

3 SOCIAL HOUSING - GROUP	Turnover 2023 £'000	Operating costs / Cost of Sales 2023 £'000	Operating surplus/ deficit 2023 £'000	Turnover 2022 £'000	Operating costs / Cost of Sales 2022 £'000	Operating surplus/ deficit 2022 £'000
Social housing lettings						
General needs	64,337	(48,353)	15,984	60,643	(43,716)	16,927
Supported housing and housing for older people	25,399	(22,603)	2,796	23,908	(19,283)	4,625
Low cost home ownership	6,874	(3,420)	3,454	6,092	(2,487)	3,605
	96,610	**(74,376)**	**22,234**	**90,643**	**(65,486)**	**25,157**
Other social housing activities						
Support activities	222	(573)	(351)	218	(241)	(23)
Sales of current asset properties	13,051	(10,476)	2,575	12,887	(11,317)	1,570
Other	3,588	(328)	3,260	2,038	(587)	1,451
	16,861	**(11,377)**	**5,484**	**15,143**	**(12,145)**	**2,998**
Total social housing	**113,471**	**(85,753)**	**27,718**	**105,786**	**(77,631)**	**28,155**
Non-social housing activities	5,296	(5,593)	(297)	5,174	(5,383)	(209)
Non housing activities	11,248	(12,446)	(1,198)	10,696	(11,792)	(1,096)
Total	**130,015**	**(103,792)**	**26,223**	**121,656**	**(94,806)**	**26,850**
Gain on disposal of tangible fixed assets			5,203			4,981
Operating surplus			**31,426**			**31,831**

3 SOCIAL HOUSING - GROUP

	General needs	Supported housing and housing for older people £'000	Low cost home ownership	2023 Total £'000	2022 Total £'000
Rent receivable net of identifiable service charges	59,996	18,559	6,021	84,576	79,277
Service charges receivable	2,585	6,394	515	9,494	8,573
Net rents receivable	**62,581**	**24,953**	**6,536**	**94,070**	**87,850**
Amortised government grant	1,756	445	338	2,539	2,430
Other	-	1	-	1	363
Total income from lettings	**64,337**	**25,399**	**6,874**	**96,610**	**90,643**
Expenditure on lettings activities:					
Management	15,590	6,109	1,646	23,345	20,070
Services	3,329	6,045	586	9,960	8,817
Routine maintenance	13,546	5,706	156	19,408	17,461
Planned maintenance	2,344	1.029	(34)	3,339	2,120
Major repairs expenditure	17	-	-	17	7
Bad debts	259	228	33	520	370
Depreciation of housing properties	13,255	3,486	1,033	17,774	16,605
Other costs	13	-	-	13	36
Total expenditure on lettings	**48,353**	**22,603**	**3,420**	**74,376**	**65,486**
Operating surplus on lettings	**15,984**	**2,796**	**3,454**	**22,234**	**25,157**
Void losses	419	1,109	1	1,529	1,527

	Turnover	Operating costs / Cost of Sales	Operating surplus/ deficit	Turnover	Operating costs / Cost of Sales	Operating surplus/ deficit
		2023 £'000			2022 £'000	
3 SOCIAL HOUSING - PARENT						
Other social housing activities						
Support activities	14,308	(13,465)	843	13,700	(12,595)	1,105
	14,308	**(13,465)**	**843**	**13,700**	**(12,595)**	**1,105**
Total social housing	**14,308**	**(13,465)**	**843**	**13,700**	**(12,595)**	**1,105**
Deficit on disposal of tangible fixed assets			-			(38)
Operating surplus			**843**			**1,067**

4 HOUSING STOCK - GROUP	2023 Number	2022 Number
Social housing accommodation		
General needs rented	9,783	9,734
Affordable rented	2,245	2,051
Supported housing & housing for older people	4,451	4,451
Low cost home ownership	2,104	1,964
Managed on behalf of other landlords	1,320	1,301
Total social housing managed	19,903	19,501
Non-social housing managed		
Leaseholders	634	552
Freehold	244	344
Day care centres	4	4
Registered care bed spaces	47	47
Commercial	28	28
Total non-social housing managed	957	975
Total housing stock	**20,860**	**20,476**
Garages and other non-habitable units	935	935
Total units managed	**21,795**	**21,411**
Housing units in development pipeline	**1,103**	**1,139**

At 31 March 2023 the Group owned 148 units (2022: 148) which are managed by agents.

5 EXPENSES AND AUDITORS REMUNERATION	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Included in surplus are the following:				
Depreciation of tangible fixed assets				
Housing properties	17,873	-	16,716	-
Other owned assets	1,910	561	1,622	488
Surplus/(deficit) of sale of fixed assets	5,203	-	4,981	(38)
Auditors' remuneration				
For the audit of the annual accounts	111	17	101	16
For other services	25	-	23	-
Operating lease payments				
Motor Vehicles	479	-	192	-
Land and Buildings	247	200	201	136

6 STAFF NUMBER AND COSTS

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

	GROUP 2023 Number	PARENT 2023 Number	GROUP 2022 Number	PARENT 2022 Number
Office staff	405	150	388	140
Wardens and caretakers	29	-	32	-
Care & Support Staff	415	-	406	-
Operatives	221	-	225	-
	1,070	150	1,051	140

	2023 £000	2023 £000	2022 £000	2022 £000
Staff costs for the above persons:				
Wages and salaries	31,147	6,197	29,624	5,751
Social security costs	3,184	720	2,791	632
Pension costs	2,307	354	2,342	349
Termination benefits	226	77	125	82
	36,864	7,348	34,882	6,814

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS

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

Emoluments (including pension contributions and benefits-in-kind) paid to:				
Executive Directors	943	943	859	859
Directors and Senior Staff	3,097	1,734	2,806	1,503
Board Members	134	121	109	96
	4,174	2,798	3,774	2,458

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

The highest paid Director (the Chief Executive - Mr C Kataria)	217	217	208	208

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

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS (CONTINUED)

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

	GROUP 2023 Number	PARENT 2023 Number	GROUP 2022 Number	PARENT 2022 Number
£60k-£70k	19	10	16	7
£70k-£80k	7	2	12	6
£80k-£90k	7	5	4	4
£90k-£100k	6	5	5	3
£100k-£110k	3	2	2	1
£110k-£120k	1	-	-	-
£130k-£140k	-	-	2	2
£140k-£150k	2	2	1	1
£150k-£160k	1	1	-	-
£160k-£170k	-	-	1	1
£170k-£180k	1	1	-	-
£210k-£220k	-	-	1	1
£220k-£230k	1	1	-	-

Emoluments disclosed include payments to all members of the Executive Management Team in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2022.

8 SURPLUS ON DISPOSAL OF OTHER FIXED ASSETS

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Disposal proceeds	11,116	-	8,708	-
Grant abated	1,252	-	46	-
Cost of disposals	(7,165)	-	(3,773)	(38)
	5,203	-	4,981	(38)

9 INTEREST RECEIVABLE AND OTHER INCOME

Interest receivable from unlisted investments	149	23	40	22

10 INTEREST PAYABLE AND SIMILAR CHARGES	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
On bank loans, overdrafts and other loans	28,432	-	23,119	-
On pension scheme liabilities	-	-	(3)	-
Less capitalised interest	(3,643)	-	(2,776)	-
	24,789	-	20,340	-

The interest payable above includes a cost of £416k (2022: £296k credit) in respect of FRS102 Basic Financial Instruments amortised cost valuation method.

11 GIFT AID PAYMENTS / DONATION

Amounts Paid to emh Housing & Regeneration Ltd	-	-	-	340
	-	-	-	340

A cash payment of £nil (2022: £340k) was made in the year to the subsidiary EMH Housing & Regeneration Ltd. As this is not a payment upwards to a parent it is treated as a donation in the accounts.

12 FINANCE INCOME AND COSTS

Expected return on pension scheme assets	2,470	230	1,763	167
Interest on pension scheme liabilities	(2,689)	(258)	(2,155)	(212)
Net financing costs	(219)	(28)	(392)	(45)

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
13 TAXATION				

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

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Current tax				
Current tax on income for the period	85	-	52	41
Adjustments in respect of prior period	(7)	14	(3)	(3)
Total current tax	78	14	49	38
Total tax recognised in the income and expenditure account	78	14	49	38

Reconciliation of effective rate

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Surplus before taxation	6,567	838	11,139	704
Total tax expense	78	14	49	38
Tax using the UK corporation tax rate of 19% (2022: 19%)	1,643	159	2,478	134
Charitable exemption	(1,323)	-	(2,370)	-
Non-deductible expenses	114	106	105	96
Pension contribution allowances	(10)	12	16	26
Capital allowances	(303)	(298)	(158)	(150)
Trading losses offset	20	21	179	-
Group relief	-	-	-	-
Corporate interest relief	-	-	(92)	-
Gift aid / donation credit	(56)	-	(106)	(65)
Current tax expense included in the surplus	85	-	52	41

14 TANGIBLE FIXED ASSETS - GROUP

	Housing properties					Other tangible fixed assets					
	Under construction	Social housing letting	Low cost home ownership	Non-social housing	Total housing properties	Freehold Offices	Leasehold Office	Fixtures, Fittings & Equipment	Plant and Vehicles	Total other assets	Total fixed assets
						£'000's					
Cost											
1 April 2022	53,069	915,212	123,449	6,866	1,098,596	10,454	1,179	11,244	865	23,742	1,122,338
Additions	89,243	-	-	-	89,243	50	-	1,762	3	1,815	91,058
Replacement components	(312)	14,861	-	35	14,584	-	-	-	-	-	14,584
Schemes completed in the year	(67,113)	50,146	16,967	-	-	-	-	-	-	-	-
Transfer of sale properties to stock	(13,954)	-	-	-	(13,954)	-	-	-	-	-	(13,954)
Disposals	(3,258)	(5,774)	(2,009)	-	(11,041)	(783)	(237)	(1)	-	(1,021)	(12,062)
31 March 2023	57,675	974,445	138,407	6,901	1,177,428	9,721	942	13,005	868	24,536	1,201,964
Accumulated depreciation											
1 April 2022	-	156,908	8,340	1,863	167,111	3,321	328	6,194	723	10,566	177,677
Provision in the year	-	16,871	925	77	17,873	361	78	1,385	86	1,910	19,783
Eliminated on disposal	-	(4,095)	(143)	-	(4,238)	(305)	(117)	(1)	-	(423)	(4,661)
31 March 2023	-	169,684	9,122	1,940	180,746	3,377	289	7,578	809	12,053	192,799
Impairment											
1 April 2022	-	1,379	1,430	317	3,126	-	-	-	-	-	3,126
31 March 2023	-	1,379	1,430	317	3,126	-	-	-	-	-	3,126
Net book value											
31 March 2023	57,675	803,382	127,855	4,644	993,556	6,344	653	5,427	59	12,483	1,006,039
31 March 2022	53,069	756,925	113,679	4,686	928,359	7,133	851	5,050	142	13,176	941,535

14 TANGIBLE FIXED ASSETS - GROUP (CONTINUED)	GROUP 2023 £'000	GROUP 2022 £'000
The net book value of housing properties comprises		
Freehold	971,722	907,273
Long leasehold	21,834	21,086
	993,556	928,359
Additions to housing properties incudes:		
Capitalised interest	3,643	2,776
(at the Group average borrowing rate)	4.78%	4. 45%
Direct administration costs	2,109	2,280

Other Fixed Assets - Parent	Fixtures, Fittings and Equipment £000	Total £000
Cost		
1 April 2022	2,195	2,195
Additions	1,123	1,123
31 March 2023	3,318	3,318
Accumulated depreciation		
1 April 2022	1,089	1,089
Provision for the year	561	561
31 March 2023	1,650	1,650
Net book value		
31 March 2023	1,668	1,668
31 March 2022	1,106	1,106

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
15 FIXED ASSET INVESTMENTS				
At 1 April	1,548	217	1,672	217
Transfer in year	(292)	-	(124)	-
At 31 March	1,256	217	1,548	217

The parent investment is in MOR Homes, a sector wide company established to secure funding for participating members.

The remaining investments are 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.

16 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
At 31 March 2023 and 1 April 2022	-	93	-	93

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

Directly held

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

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

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

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

Indirectly held

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

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

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
17 PROPERTIES FOR SALE AND WORK IN PROGRESS				
Schemes developed for shared ownership sale	11,026	-	5,162	-
Schemes in development	8,445	-	10,204	-
	19,471	-	15,366	-

18 IMPAIRMENT OF HOUSING ASSETS

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

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

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
19 TRADE AND OTHER DEBTORS				
Current tenant arrears	3,733	-	3,552	-
Less provision for bad and doubtful debts	(2,042)	-	(2,034)	-
Former tenant arrears	1,157	-	1,253	-
Less provision for bad and doubtful debts	(1,157)	-	(1,253)	-
Trade debtors	1,301	-	1,280	-
Less provision for trade debtors	(128)	-	(41)	-
Prepayments and accrued income	4,382	1,214	3,920	1,816
Other debtors	13	-	16	1
Taxation and social security	108	20	42	2
Loan to MOR Homes (all due after 1 year)	431	431	431	431
Amounts owed by group undertakings	-	1,247	-	1,182
	7,798	2,912	7,166	3,432
Due within one year	7,367	2,481	6,735	3,001
Due after more than one year	431	431	431	431
	7,798	2,912	7,166	3,432

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
20 CURRENT ASSETS INVESTMENTS				
Bank deposits	3,490	-	18,415	-

21 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Loans and overdrafts (see note 23)	20,159	-	18,389	-
Trade creditors	10,657	600	9,629	1,199
Rent received in advance	4,822	-	3,684	-
Accruals and deferred income	10,918	757	11,608	692
Taxation and social security	412	-	-	-
Corporation tax	90	6	52	41
Other creditors	62	3	224	-
Pension deficit contributions (see note 28)	2	-	2	-
Amounts due to group undertakings	-	1,945	-	2,151
	47,122	3,311	43,588	4,083

22 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Loans and overdrafts (see note 23)	509,413	-	473,812	-
Deferred government grants (see note 25)	266,115	-	259,156	-
Homebuy grant payable	5,057	-	5,193	-
Recycled capital grant fund (see note 26)	9,300	-	8,503	-
Pension deficit contributions (see note 28)	1	-	1	-
	789,886	-	746,665	-

23 LOANS

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Bank loans	121,571	-	129,214	-
The Housing Finance Corporation	26,175	-	26,247	-
MOR Homes loan	37,500	-	37,500	-
Pension Insurance Corporation PLC loan	100,000	-	100,000	-
Bond finance from emh treasury plc	244,326	-	199,240	-
	529,572	-	492,201	-

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

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
In one year or less	20,159	-	18,389	-
Between one and two years	5,620	-	8,139	-
Between two and five years	92,971	-	37,377	-
In more than five years	410,822	-	428,296	-
	529,572	-	492,201	-

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2022 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2023 £'000
Cash and cash equivalents	44,896	(1,796)	-	43,100
Borrowings				
Debt due within one year	(18,389)	18,389	(20,159)	(20,159)
Debt due after one year	(473,812)	(55,760)	20,159	(509,413)
	(492,201)	(37,371)	-	(529,572)
Total Net Debt	(447,305)	(39,167)	-	(486,472)

25 DEFERRED GOVERNMENT GRANTS - GROUP

	Social housing grant £'000	Other government grant £'000	Total £'000
At 1 April 2022	244,453	14,703	259,156
Received in the year	11,081	483	11,564
Released to income in the year	(2,406)	(143)	(2,549)
Disposed in the year	(1,744)	(312)	(2,056)
At 31 March 2023	251,384	14,731	266,115

26 RECYCLED CAPITAL GRANT FUND - GROUP

	Recycled capital grant fund £'000
At 1 April 2022	8,503
Utilised during the year	(637)
Interest credited to the fund	197
Transferred to fund during the year	1,237
At 31 March 2023	9,300

27 PROVISIONS

	Leave Pay £000	Total £000
GROUP		
At 1 April 2022	717	717
Provisions reversed during the year	(265)	(265)
At 31 March 2023	452	452
PARENT		
At 1 April 2022	230	230
Provisions reversed during the year	(66)	(66)
At 31 March 2023	164	164

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

28 EMPLOYEE BENEFITS

The Group operates four defined benefit pension schemes.

Summary of the movement on pension scheme liabilities for the year ended 31 March 2023

	The Pensions Trust - SHPS	The Pensions Trust - Growth Plan	Leicestershire County Council	Derbyshire County Council
		£'000		
Net liability at 1 April 2022	6,495	3	-	2,793
Actuarial loss in the period charged to the income & expenditure account	197	-	150	715
Actuarial loss in the period charged to other comprehensive income	1,337	-	(27)	(3,185)
Contributions paid	(1,643)	-	(123)	(323)
Net liability at 31 March 2023	6,386	3	-	-

28 EMPLOYEE BENEFITS (CONTINUED)

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

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

The Pensions Trust - Social Housing Pension Scheme

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

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

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

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

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

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 28 February 2024 inclusive.

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

GROUP	**2023 £'000**	**2022 £'000**
Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)		
Fair value of plan assets	29,203	46,658
Present value of defined benefit obligation	(35,589)	(53,153)
Defined benefit (liability)/asset to be recognised	(6,386)	(6,495)
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	53,153	55,162
Expenses	39	37
Interest expense	1,463	1,194
Actuarial losses (gains) due to scheme experience	(1,404)	3,079
Actuarial losses (gains) due to changes in demographic assumptions	(78)	(802)
Actuarial losses (gains) due to changes in financial assumptions	(16,288)	(4,302)
Benefits paid and expenses	(1,296)	(1,215)
Defined benefit obligation at end of period	35,589	53,153
Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	46,658	43,494
Interest income	1,305	952
Experience on plan assets (excluding amounts included in interest income) – (loss) gain	(19,107)	2,172
Contributions by the employer	1,643	1,255
Benefits paid and expenses	(1,296)	(1,215)
Fair value of plan assets at end of period	29,203	46,658

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was £17,802,000

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

	2023 £'000	2022 £'000
Defined benefit costs recognised in statement of comprehensive income (SOCI)		
Expenses	39	37
Net interest expense	158	242
Defined benefit costs recognised in statement of comprehensive income (SoCI)	197	279
Defined benefit costs recognised in other comprehensive income		
Experience on plan assets (excluding amounts included in net interest cost) – (loss)/gain	(19,107)	2,172
Experience gains and losses arising on the plan liabilities – gain/(loss)	1,404	(3,079)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	78	802
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	16,288	4,302
Total amount recognised in other comprehensive income - (loss)/gain	(1,337)	4,197
Assets		
Global Equity	545	8,954
Absolute Return	316	1,872
Distressed Opportunities	885	1,670
Credit Relative Value	1,102	1,551
Alternative Risk Premia	54	1,539
Emerging Markets Debt	156	1,358
Risk Sharing	2,150	1,536
Insurance-Linked Securities	737	1,089
Property	1,257	1,260
Infrastructure	3,336	3,323
Private Debt	1,299	1,196
Opportunistic Illiquid Credit	1,250	1,567
High Yield	102	402
Opportunistic Credit	1	165
Cash	210	159
Corporate Bond Fund	-	3,113
Long Lease Property	881	1,200
Secured Income	1,340	1,739
Liability Driven Investment	13,451	13,018
Currency Hedging	56	(182)
Net Current Assets	75	129
Total assets	29,203	46,658

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

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

Key Assumptions

	2023 % per annum	**2022 % per annum**
Discount Rate	4.85	2.79
Inflation (RPI)	3.18	3.54
Inflation (CPI)	2.78	3.17
Salary Growth	3.78	4.17
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

Reimbursement Asset

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

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

28 EMPLOYEE BENEFITS (CONTINUED)

Reimbursement Asset (continued)

	2023	**2022**
	£'000	**£'000**
At 1st April	882	526
Payment received	(139)	(99)
Change in debtor	(579)	455
At 31st March	164	882

Split to Rural Housing Associations		
Warwickshire Rural Housing Association	60	327
Northampton Rural Housing Association	65	347
Peak District Rural Housing Association	30	158
Leicestershire Rural Housing Association	9	50
Total pension debtor	164	882

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

Change in Debtor	(579)	455
	(579)	455

PARENT

Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)		
Fair value of plan assets	5,041	8,270
Present value of defined benefit obligation	(6,144)	(9,424)
Defined benefit (liability)/asset to be recognised	(1,103)	(1,154)

Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	9,424	9,746
Expenses	9	8
Interest expense	258	212
Actuarial (gains) losses due to scheme experience	(323)	561
Actuarial (gains) losses due to changes in demographic assumptions	(13)	(139)
Actuarial (gains) losses due to changes in financial assumptions	(2,895)	(787)
Benefits paid and expenses	(316)	(177)
Defined benefit obligation at end of period	6,144	9,424

Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	8,270	7,593
Interest income	230	167
Experience on plan assets (excluding amounts included in interest income) – (loss)/gain	(3,435)	474
Contributions by the employer	292	213
Benefits paid and expenses	(316)	(177)
Fair value of plan assets at end of period	5,041	8,270

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2022 to 31 March 2023 was £3,205,000.

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

	2023 £'000	2022 £'000
Defined benefit costs recognised in statement of comprehensive income (SOCI)		
Expenses	9	8
Net interest expense	28	45
Defined benefit costs recognised in statement of comprehensive income (SoCI)	37	53
Defined benefit costs recognised in other comprehensive income		
Experience on plan assets (excluding amounts included in net interest cost) – (loss)/gain	(3,435)	474
Experience gains and losses arising on the plan liabilities – gain/(loss)	323	(561)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	13	139
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	2,895	787
Total amount recognised in other comprehensive income - (loss)/gain	(204)	839
Assets		
Global Equity	94	1,587
Absolute Return	55	332
Distressed Opportunities	153	296
Credit Relative Value	190	275
Alternative Risk Premia	9	273
Emerging Markets Debt	27	241
Risk Sharing	371	272
Insurance-Linked Securities	127	193
Property	217	223
Infrastructure	576	589
Private Debt	224	212
Opportunistic Illiquid Credit	216	278
High Yield	18	71
Opportunistic Credit	-	29
Cash	36	28
Corporate Bond Fund	-	552
Long Lease Property	152	213
Secured Income	231	308
Liability Driven Investment	2,322	2,307
Currency Hedging	10	(32)
Net Current Assets	13	23
Total assets	5,041	8,270

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

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - Social Housing Pension Scheme (continued)

Key Assumptions

	2023 % per annum	**2022 % per annum**
Discount Rate	4.85	2.79
Inflation (RPI)	3.18	3.51
Inflation (CPI)	2.78	3.16
Salary Growth	3.78	4.16
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

The Pensions Trust - The Growth Plan

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

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

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

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - The Growth Plan (continued)

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

Deficit contributions

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

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

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

Deficit contributions

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

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

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

GROUP	**2023 £'000**	**2022 £'000**
Present Value of provision		
Present value of provision at period end	3	3
-		
Reconciliation of opening and closing provisions		
Provision at start of period	3	10
Deficit contribution paid	-	(3)
Remeasurement - impact of any change in assumptions	-	(4)
Provision at the end of period	3	3
Income and expenditure impact		
Remeasurement - impact of any change in assumptions	-	(4)

28 EMPLOYEE BENEFITS (CONTINUED)

The Pensions Trust - The Growth Plan (continued)

	2023	2022
Assumptions - Group		
Rate of discount per annum	4.46%	2.35%

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

Local government pension schemes

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

	Leicestershire County Council		Derbyshire County Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Fair value of employer assets	7,581	7,632	33,787	35,935
Present value of funded liabilities	(4,651)	(6,971)	(28,618)	(38,663)
Net underfunding in funded plans	2,930	661	5,169	(2,728)
Present value of unfunded liabilities	-	-	(54)	(65)
Restriction of pension fund surplus	(2,930)	(661)	(5,115)	-
Net (liability)	-	-	-	(2,793)

Both the Leicestershire County Council scheme and the Derbyshire County Council scheme are in a net asset position. As it is not expected that these net assets are recoverable, then they have been capped to nil. It is possible that these surplus's could be recognised in future accounting periods. The effects of this restriction are noted below.

Reconciliation of defined benefit obligations				
Opening value of funded liabilities	6,971	7,274	38,663	40,892
Opening value of unfunded liabilities	-	-	65	69
Current service cost	168	199	573	635
Past service cost (including curtailments)	-	-	63	-
Interest cost on obligations	189	147	1,037	814
Members contributions	24	27	85	84
Benefits paid	(89)	(103)	(1,295)	(1,163)
Unfunded benefits paid	-	-	(4)	(4)
Changes in financial assumptions	(2,755)	(547)	(12,460)	(2,444)
Changes in demographic assumptions	(41)	(37)	(248)	(235)
Other experience	184	11	2,193	80
Closing value of funded liabilities	4,651	6,971	28,618	38,663
Closing value of unfunded liabilities	-	-	54	65

28 EMPLOYEE BENEFITS (CONTINUED)

Local government pension schemes (continued)

	Leicestershire County Council		Derbyshire County Council	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Reconciliation of fair value of plan assets				
Opening fair value of plan assets	7,632	6,784	35,935	34,194
Interest on assets	207	136	958	675
Members contributions	24	27	85	84
Employers contributions	123	133	319	271
Benefits paid	(89)	(103)	(1,295)	(1,163)
Unfunded benefits paid	-	-	(4)	(4)
Contributions in respect of unfunded benefits paid	-	-	4	4
Other experience	(15)	-	(238)	-
Return on assets excluding net interest	655	655	1,874	1,874
Closing fair value of plan assets	7,581	7,632	33,787	35,935
Expenses recognised in the income and expenditure account				
Current service cost	168	199	573	635
Past service cost (including curtailments)	-	-	63	-
Interest cost	(18)	11	79	139
Total pension costs recognised in the income and expenditure account	150	210	715	774
Amounts recognised in other comprehensive income				
Changes in financial assumptions	(2,755)	(547)	(12,460)	(2,444)
Changes in demographic assumptions	(41)	(37)	(248)	(235)
Other experience	199	11	2,431	80
Return on assets excluding interest	301	(655)	1,977	(1,874)
Restriction of pension fund surplus	2,269	661	5,115	-
Total amounts recognised in other comprehensive income	(27)	(567)	(3,185)	(4,473)
Reconciliation of the effect of the restriction on pension fund surplus				
Net asset ceiling at 1 April 2022	661	-	-	-
Restriction of pension fund surplus	2,269	661	5,115	-
Net asset ceiling at 31 March 2023	2,930	661	5,115	-

28 EMPLOYEE BENEFITS (CONTINUED)

Local government pension schemes (continued)

	Leicestershire County Council		Derbyshire County Council	
	2023	**2022**	**2023**	**2022**
The estimated split of plan assets at each period end is as follows:				
Equities	56%	59%	66%	65%
Bonds	34%	29%	23%	23%
Property	7%	8%	8%	8%
Cash	3%	4%	3%	4%
	100%	100%	100%	100%

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

Inflation/pension increase rate	3.0%	3.2%	3.0%	3.2%
Salary increase rate	3.5%	3.7%	4.0%	3.9%
Discount rate	4.8%	2.7%	4.8%	2.7%

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	**Female**	**Male**	**Female**
	Years		**Years**	
Current pensioners	20.2	21.5	21.0	21.1
Future pensioners	21.4	22.4	21.8	22.2

A commutation allowance is included for future retirements to elect to take 55% in the Leicestershire County Council scheme and 60% in the Derbyshire County Council scheme, of the maximum tax-free cash up to HMRC limits.

The last full actuarial valuation of the both the Derbyshire County Council scheme and the Leicestershire County Council scheme were performed on 31 March 2022. The Association expects to contribute £314,000 to the Derbyshire County Council scheme and £132,000 to the Leicestershire County Council scheme in the period to 31 March 2024.

28 EMPLOYEE BENEFITS (CONTINUED)

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

	Leicestershire County Council		Derbyshire County Council	
Change in assumptions at 31 March 2023	**Approx. % increase to employer liability**	**Approx. monetary amount (£'000)**	**Approx. % increase to employer liability**	**Approx. monetary amount (£'000)**
0.1% decrease in real discount rate	2%	91	2%	446
1 year increase in member life expectancy	4%	186	4%	1,147
0.1% increase in salary increase rate	0%	18	0%	53
0.1% increase in pension increase rate (CPI)	2%	75	1%	400

29 CALLED UP SHARE CAPITAL

At 31 March 2023, the Group had 7 ordinary shares (2022: 7) in issue, with each share having a nominal value of £1. The shares have no rights to dividends nor to any share of the assets of the Group in the event of it ceasing to operate.

30 OPERATING LEASES

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	1,011	-	192	-
Between one and five years	3,123	-	34	-
	4,134	-	226	-

During the year the group recognised £726k (2022: £399k) and the parent recognised £141k (2022: £136k) as an expense in the income and expenditure account in respect of operating leases.

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000

31 CAPITAL COMMITMENTS

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	153,990	-	100,892	-
Sources of Funding				
Government Grants	47,276	-	5,476	-
Working Capital	29,335	-	43,934	-
Secured & Available Facilities	77,379	-	51,482	-
Capital expenditure that has been authorised by the Board of Management but has yet been contracted for	58,606	-	142,610	-
Sources of Funding				
Government Grants	45,933	-	11,625	-
Secured & Available Facilities	12,673	-	130,985	-

32 RELATED PARTY TRANSACTIONS

Within the boards of the Group, there were no board members or shareholders at 31 March 2023 who were tenants of the Association during the year. Tenant Board and committee members are charged and required to pay rent on standard terms.

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

	PARENT 2023 £000	PARENT 2022 £000
Sales to:		
emh Housing & Regeneration Limited	12,575	12,173
emh Care & Support Ltd	1,167	1,220
Sharpes Garden Services Ltd	6	6
emh Development Company Ltd	475	239

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

	PARENT 2023 £000	PARENT 2022 £000
Purchases from:		
emh Housing & Regeneration Limited	200	135

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

32 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	GROUP 2023 £000	PARENT 2023 £000	GROUP 2022 £000	PARENT 2022 £000
Debtors				
emh Care & Support Limited		50		21
Midlands Rural Housing		(17)		261
emh Sharpes		47		19
emh treasury plc		1,029		865
emh Development Company Ltd		16		16
Creditors				
emh Housing & Regeneration Limited		1,823		2,150
emh Sharpes		-		1