



**mhs**  
homes



# Annual Report and Financial Statements

**Year ended 31 March 2024**

mhs homes limited

Private company limited by guarantee | Company number: 10704997

Registered Charity | Registration number: 1177565

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# INTRODUCTION TO THE FINANCIAL STATEMENTS

Welcome to mhs homes Annual Report 2024 and to what has been a successful year.

Our goal is foremost to provide a high-quality housing service at an affordable cost to our customers, so we are delighted that this year has shown a significant increase in customer satisfaction, to the point where our ratings have increased by 7% and are now above average when compared to the sector as a whole. Our thanks to the Customer Scrutiny Panel who provide a priceless insight in what it is like to be a customer of mhs homes, and whose work has been invaluable in improving our service. We welcome the new Sector Tenant Satisfaction Measures, and our performance to date on these is encouraging.

We also built on last year's achievement of achieving the RACE Equality Code quality mark as we were awarded the Housing Diversity Network accreditation which helped us honestly reflect on if, and how, the principles of equality, diversity and inclusion are embedded within mhs homes. More details can be found in the section on "Diversity and inclusion" later in the report.

We are here to meet housing need, so we are particularly proud that almost 30% of our lettings in the year went to homeless households. We were also delighted to secure Single Homeless Accommodation Programme funding of £2.1m in partnership with Medway Council to provide a new Foyer to meet the housing needs of young people.

This year marked a significant success for our subsidiary company, Heart of Medway Housing Association, a Registered Provider of Social Housing, as it now has more than 1,000 homes thanks to successfully bidding for 255 tenanted homes from L&Q. This has allowed us to increase our presence in key areas, leading to greater financial and operational efficiencies and most importantly to deliver a high quality customer focused service to the residents of these homes.



Nigel Hopkins &  
Chair  
19 July 2024  
Page 1



Ashley Hook  
Chief Executive

Great steps were made on our journey to net zero as we successfully bid for funding in the latest wave of the Social Housing Decarbonisation Fund. This will be received in the upcoming year and is a major boost for our ambitions in providing energy efficient homes, and therefore smaller bills, for our customers.

During the year, an independent review of the effectiveness of the Board took place and we were reassured that it concluded that it is "well-skilled, well-resourced, highly engaged and effective".

Financial resilience underpins all our ambitions with our results being some of the strongest in the sector. As a long-term business, and custodians of our customers' homes, we will never risk our financial strength for short term goals. This financial strength also gives us choices in our future decision making.

Safety of customers and colleagues is at the core of all we do. We were therefore proud to be one of the first organisations in the UK accredited as a Building a Safer Future Champion and we were also awarded the "5 star" award by the British Safety Council.

Our colleagues are critical to our success and for ensuring that we respond effectively to customers and other key stakeholders. The Board would like to thank them for their hard work and passion in delivering our services.

Our thanks also to Julie Seager, who stepped down from the Board after 6 years, having reached her maximum term in office, on her valuable service to the organisation and we welcomed Michelle Mulligan back on to the Board after the Tenant Ballot.

## mhs homes AT A GLANCE

mhs homes limited ("mhs homes") was established in 1990 following a stock transfer from Rochester upon Medway City Council. We are the largest independent social landlord, being registered with the Charity Commission rather than the Regulator of Social Housing. Our objectives are to provide social housing in Kent and all services linked to this provision. All surpluses are reinvested into building more new homes, improving existing homes and supporting local communities. It is the parent body of mhs homes group ("the Group").

Heart of Medway Housing Association is a subsidiary of mhs homes and is registered with the Regulator of Social Housing.

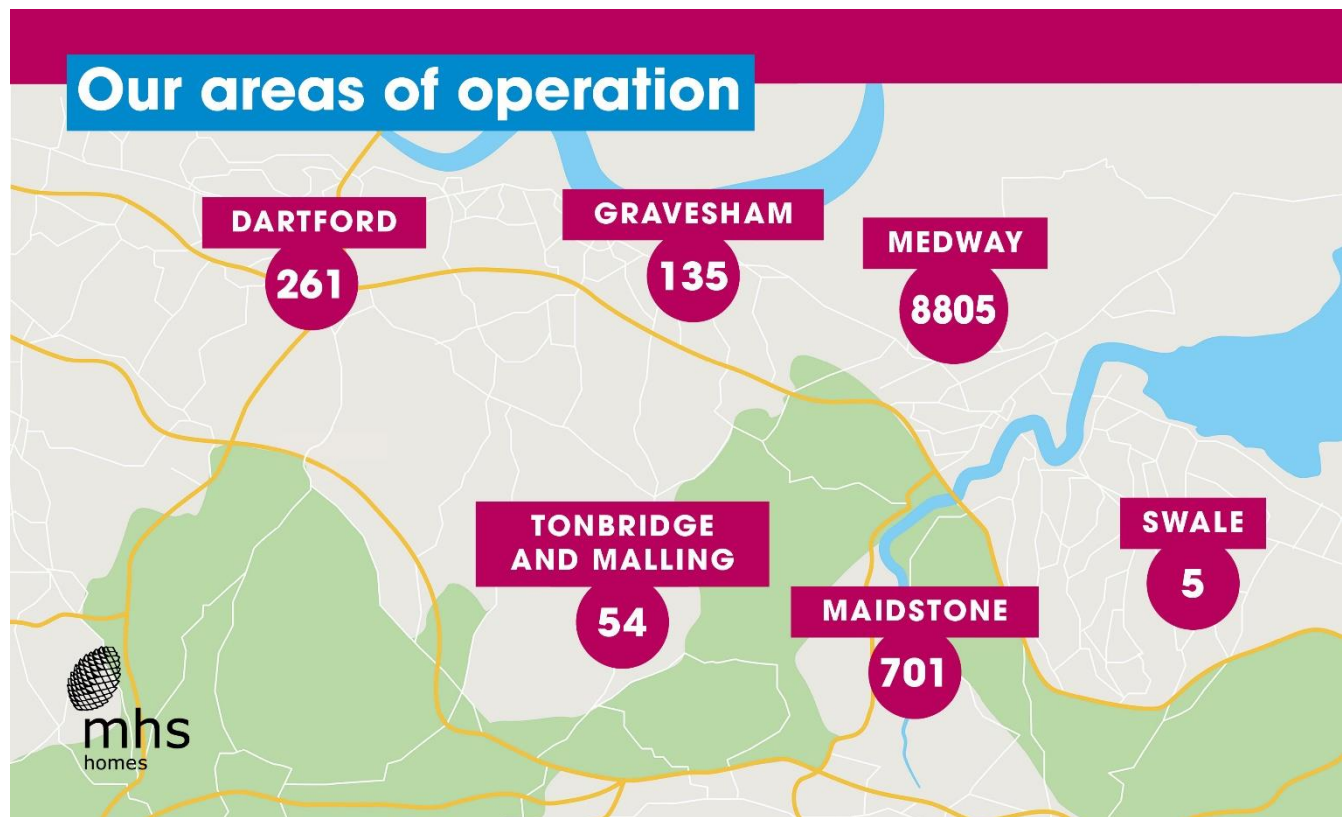
Our ultimate ambition is to help end the housing crisis in North Kent by providing safe and sustainable homes.

mhs homes continues to be the only housing association of size not to be a registered provider and, although we comply with the

ethos and aims of the social housing sector, our status allows us greater control of our own destiny and objectives. We value our relationships with the regulated sector and mhs homes generally follows the guidance of the Regulator of Social Housing in areas such as service to customers, quality of homes and effective corporate governance.

We own and manage 9,961 homes, mainly in Medway, but with an increasing number in surrounding areas of North Kent. Most are social rented, though we also provide shared ownership and market rented. mhs homes owns the majority of our social properties, 8,054, with a further 1,170 in Heart of Medway. We are the corporate trustee of 6 homes in the Lord Kitchener Memorial Homes Trust. The Group manages 84 social properties with a further 25 managed by third parties. In addition, there are 424 market rent and commercial properties along with 198 managed freeholders.

**Our properties are spread over North Kent as shown below**



## Financial Highlights

	2023/24	2022/23
Turnover	£70.7 million	£66.7 million
Operating Surplus	£23.3 million	£28.0 million
Surplus excluding movement in fair value	£10.6 million	£16.7 million
EBITDA MRI <sup>1</sup>	£22.0 million	£27.7 million
EBITDA – MRI <sup>1</sup> Margin to turnover	31%	43%
Debt less cash and cash equivalents	£287.5 million	£248.5 million
EBITDA - MRI <sup>1</sup> / Interest Cover	164%	235%
Net Debt / EBITDA - MRI <sup>1</sup>	13.1	9.0

<sup>1</sup> EBITDA – MRI: Earnings before interest, tax, depreciation, capitalised major repairs and surplus on sale of fixed assets

## Operational Highlights

	2023/24	2022/23
Total stock owned and managed	9,961	9,612
% Homes at Decent Homes Standard	99%	100%
% Homes at SAP rating C or above	76%	75%
New homes brought into management	94	94
New homes started on site	91	148
Homes purchased from a registered provider	255	-
% of lettings to Homeless	29%	35%
Investment in new homes	£29 million	£13 million
Investment in existing homes	£30 million	£22 million
Existing homes purchased from a registered provider	£22 million	-
Customer Satisfaction	81%	74%

A full report on the Tenant Satisfaction Measures is available on the mhs homes website

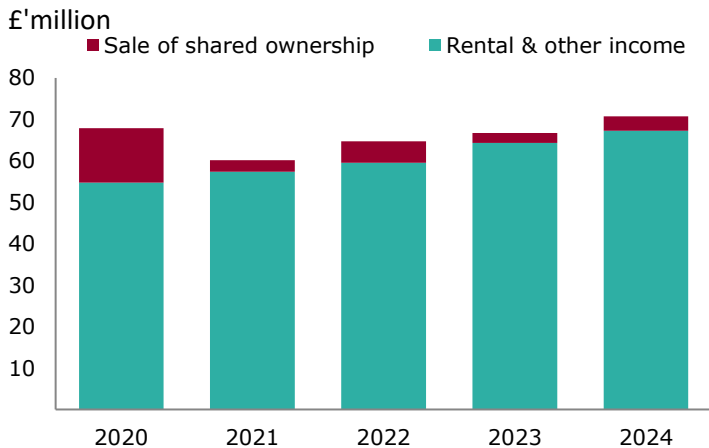
# STRATEGIC REPORT: AN OVERVIEW OF 2023/24 RESULTS

Though our surplus (before tax and fair value adjustment) of £11 million was below that achieved last year, mhs homes group remains a financially strong organisation with all our income being reinvested back into new and existing social housing.

Compared to last year the surplus fell though this was the result of increased investment in our current homes along with rises in the cost of insurance and utilities. We have also provided for a fine from the Health and Safety Executive as described in note 27 of £0.5 million.

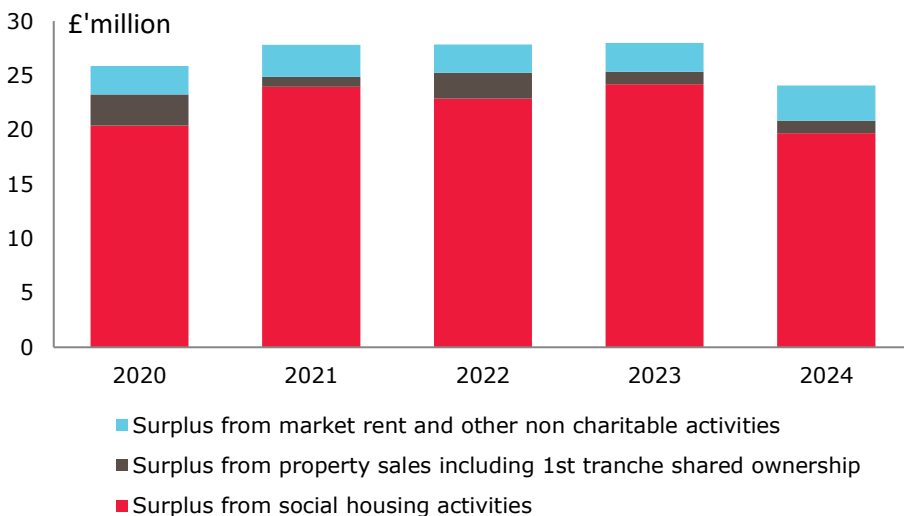
An additional 94 (2023: 94) new homes brought into management with a start on site on a further 91 (2023:148). In addition, the overall stock numbers increased by another 255 homes which were purchased from L&Q.

As a charity we have to balance the need to build much needed social housing whilst charging affordable rents, and our rent levels are typically 65% of that charged in the market. Further details on our rent levels are on page 13.



**Turnover** increased in the year with additional rental and service charge income of £3.9 million, through a combination of rent increases and new properties. Sales of 1<sup>st</sup> tranche shared ownership sales increased in line with the planned programme. During the year we sold 30 new shared ownership properties (2023:14). Though there were 38 unsold properties at 31<sup>st</sup> March 2024 sales demand remains strong.

The majority of the surplus continues to be derived from low risk social housing. The surplus fell through an increased investment in our existing homes.

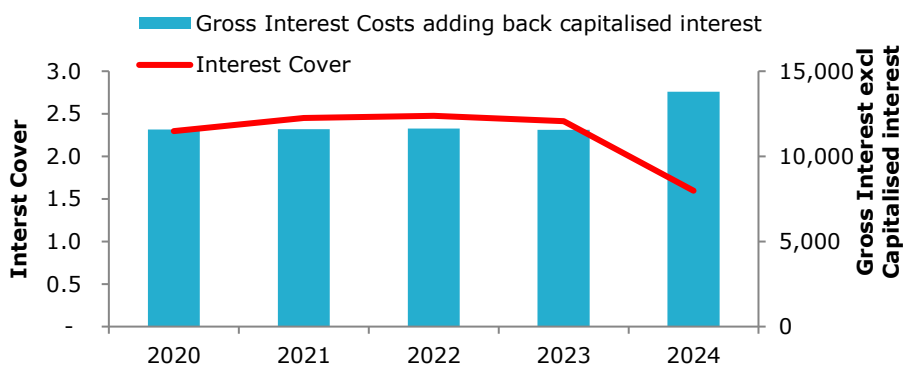


# STRATEGIC REPORT: AN OVERVIEW OF 2023/24 RESULTS

**Movement from Year to Year:** the movement in surplus before fair value from last year to the current is shown below.

	<b>£' million</b>
Increase in income from rents & service charges	3.7
Increase in surplus from non-social housing	0.8
Increase in surplus from sale of fixed assets and 1 <sup>st</sup> tranche shared ownership	0.0
<b>Increase in income and surplus from non-social housing</b>	<b>4.5</b>
Increase in repairs expenditure	3.7
Increase in service charge costs	0.9
Increases in other operating costs	1.6
Increase in net financing costs	1.5
<b>Increase in costs</b>	<b>7.7</b>
Increases in depreciation & impairment	1.7
Decrease in amortised grant received	1.3
<b>Decrease in surplus due to accounting adjustments</b>	<b>3.0</b>
<b>Reduction in surplus before fair value adjustments compared to 22/23</b>	<b>6.2</b>

**Interest payable** costs increased through additional borrowing and the impact of higher rates. This, combined with additional investment in our current homes, has led to a reduction in interest cover, though still substantially ahead of covenant requirements.



**Investment Properties:** Over the years the Group has built up an investment portfolio of 380 properties rented to tenants at market rent. These are a valuable investment and produce a return to our original cost of 3.1% (2023: 3.5%). The Group has invested £54 million in acquiring this portfolio, which are now estimated to be worth £78 million. They are held as a long term investment so that the annual surpluses from the rental stream can be invested into charitable activities rather than for capital gain.

**Pension:** The annual FRS102 actuarial review of the defined pension scheme, closed to new entrants in 2005, shows the scheme has assets £9.7 million greater than its liabilities, an increase of almost £1 million over the previous year. However, as consistent with last year, an asset ceiling has been applied so no pension asset is shown within the accounts.

# STRATEGIC REPORT: OUR STRATEGIC PLAN 2021 TO 2024

In March 2021, an ambitious new three year Strategic Plan was approved by the Board focused on building quality and service excellence to all customers within a framework of financial strength. Progress against key targets is shown below. The new strategy is discussed on page 9.

## Our Buildings

- |   |   |   |
|---|---|---|
| Prioritise our Building Safety Programme.                                       | ✓ | The majority of our programme is complete and is forecast to have been completed by March 2025.   |
| Strive to be an exemplar by achieving Building Safety Charter 'Champion' status | ✓ | Our commitment was recognised by being one of only two housing associations to be awarded a "Building a safer Future" Champion status.  |
| Have over 65% of homes at EPC C rating or above.                                | ✓ | We are currently significantly ahead of target at 76% and are well on course to meet the 2030 target.   |
| Have in place a Fuel Poverty Action Plan to assist customers who are fuel poor  | ✓ | Actions include the customer support fund, warm hubs and working with other partners and agencies. This is all underpinned by our commitment to increase energy efficiency in our properties, as noted above. |
| We will have built 660 new homes.   | ✗ | We completed 370 new homes over the three years, below our original target, but this reflects the decision halfway through the plan to refocus our investment into our existing homes.                        |

## Our Customers

- |  |   |   |
|--|---|---|
| Deliver year on year improvement in customer satisfactions                   | ✓ | This has increased year on year, now standing at 81% and we are committed to continuing this trend. This is evidenced by our successful re-accreditation of the Customer Service Excellence in January 2024.  |
| Increases the number and diversity of customers that actively engage with us | ✓ | Our Customer Engagement Group and Customer Scrutiny Panel provide an invaluable role in improving our services. We have also successfully achieved Housing Diversity Network accreditation to ensure that equality, diversity & inclusion go to the core of how we deliver services to customers benefit. |

## Our Colleagues

- |   |   |   |
|---|---|---|
| Be a We Invest in Wellbeing 'Gold' and a We Invest in People 'Platinum' organisation. | ✗ | We were accredited as 'Silver' for We Invest in Wellbeing in 2021 and 'Gold' for We Invest in People in 2022. |
| Be an Accredited Living Wage employer   | ✓ | This was successfully achieved in January 2022.   |



# STRATEGIC REPORT: TREASURY

The treasury management for the Group is governed by a policy and strategy regularly reviewed and approved by the Board with the Group Treasury Committee monitoring activities and making recommendations to the Board. The Group has two active borrowers mhs homes and Heart of Medway. Borrowings and arranged facilities as at 31 March 2024 are summarised as follows.

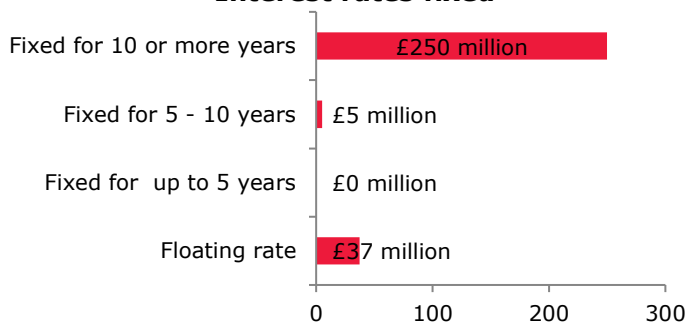
	Arranged £'m	Drawn £'m
mhs homes	380.0	242.3
Heart of Medway	50.0	50.0
<b>Total</b>	<b>430.0</b>	<b>292.3</b>

At the end of the year the Group had substantial liquidity with:

- £120.0 million of revolving credit facilities charged and available to draw.
- £17.7 million of long term debt to be charged and available to draw.
- £4.7 million of cash.

Spare security of £138 million, as calculated under existing use value – social housing, is available to the Group.

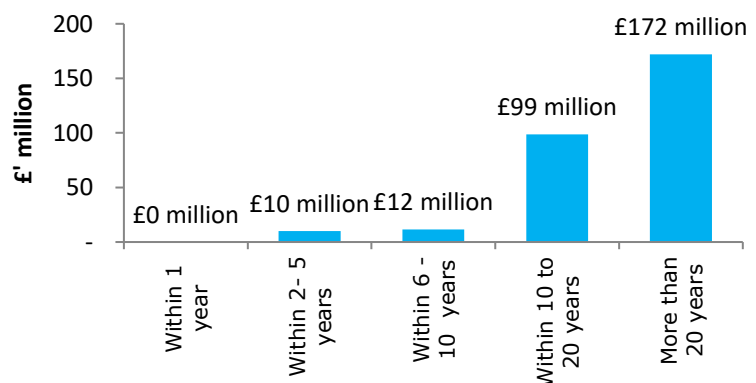
## Interest rates fixed



A key risk is our exposure to interest rate increases, which is mitigated by having only £37m (12.7%) of debt floating for less than one year.

The Group has no debt due for repayment in the next five years on term loans or private placements. There is £10 million revolving credit facility which expires in 2027, though we would expect to renew or replace the facility.

## Repayment profile



# STRATEGIC REPORT: 5 YEAR FINANCIAL REVIEW

The last 5 years financial performance along with key ratios is summarised below.

<b>Year Ending 31 March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<i>Excluding 1<sup>st</sup> tranche shared ownership sales</i>					
Turnover	55	57	60	64	67
Expenditure	32	31	34	37	45
<b>Surplus on rents</b>	<b>23</b>	<b>26</b>	<b>26</b>	<b>27</b>	<b>22</b>
Surplus on sales of 1 <sup>st</sup> tranche or assets	3	2	2	1	1
<b>Operating surplus</b>	<b>26</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>23</b>
Net interest cost	12	11	11	11	13
<b>Surplus for the year before tax and fair value</b>	<b>14</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>11</b>
Net fixed assets	496	528	546	557	607
Investments	73	79	88	85	81
Net current assets	39	24	25	7	(3)
	<b>608</b>	<b>631</b>	<b>659</b>	<b>649</b>	<b>685</b>
Creditors: > than one year	278	279	285	260	290
Pension liability	11	10	9	-	-
	<b>289</b>	<b>290</b>	<b>294</b>	<b>260</b>	<b>290</b>
<b>Total reserves</b>	<b>319</b>	<b>341</b>	<b>365</b>	<b>389</b>	<b>395</b>
<b>Financial Performance</b>					
EBITDA-MRI*: Turnover	40%	48%	43%	42%	31%
EBITDA-MRI*: Turnover excluding s\o	46%	49%	45%	42%	30%
Ratio of Debt: EBITDA-MRI*	8.5	8.7	9.1	9.0	13.1
Ratio of EBITDA-MRI*: Interest Payable	2.3	2.4	2.4	2.4	1.6
<b>Other Key Ratios</b>					
Void: net rental income	0.8%	1.0%	0.8%	0.8%	0.9%
Bad Debt: net rental income	0.8%	1.1%	0.5%	0.4%	0.9%

\*EBITDA – MRI: Earnings before interest, tax, depreciation, capitalised major repairs and surplus on sale of fixed assets

## STRATEGIC REPORT: FUTURE PLANNING

The 2024 – 2027 strategic plan was approved by the Board in March 2024 and will drive our priorities and guide us in keeping our customers at the heart of everything we do. It sets out our ambitions and the commitments we will work towards to deliver safe, sustainable homes and communities where people can live well. Our strategic priorities are :

- Visible, responsive & caring landlord
- Safe & sustainable homes
- Listening, learning & acting on customers' views
- Community champion & partner of choice
- Safe, inclusive & rewarding workplace
- Well governed, well managed & financially strong

**The Group** is planning to build over 360 new homes in the next 3 years, with a spend of £62 million. Over half of this will be funded through surpluses and sale of properties with the rest funded through new borrowings.

The plan assumes an increase in net borrowings of £23 million, though **the Group** has £120 million of funding across three revolving credit facilities and £18m of longer term loans available therefore mitigating against the risk of reducing sales income.

Our results are stress-tested against several different scenarios. These show that our covenants are met in mhs homes, even if interest rates rise over the long term to 15% or rental income is reduced by 10%.

The projected financial ratios below from the long term financial plan, approved by the Board in February 2024, show the ongoing financial strength of the Group.

<b>Group Ratio</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
EBITDA* MRI: Turnover	27.5%	30.4%	30.6%	25.5%	26.1%
Ratio of Debt: EBITA-MRI*	15.0	13.5	12.9	15.4	14.9
EBITDA-MRI*: Interest Payable %	1.3	1.5	1.5	1.3	1.3

\* EBITDA – MRI: Earnings before interest, tax, depreciation and capitalised major repairs expenditure. Property sales including shared ownership first tranche are also included.

We are continuing to investigate our buildings to ensure that they meet all current building safety requirements. The Board is clear on the importance of building and customer safety and that cost will never be a barrier to the work required. We will, therefore, continue to prioritise our Building Safety Programme, which is discussed in detail later in the report. The full costs of these remedial works over the next three years, £0.6m for Heart of Medway and £1.5 million for mhs homes, are included in our long term financial forecasts.

The plan also includes £13.1 million for mhs homes and £0.6 million for Heart of Medway for the cost of ensuring all our properties are at a minimum of EPC rating "C" by 2030.

Our long term financial planning will continue to ensure that there are sufficient resources to proactively manage our assets, so that all our homes continue to meet the Decent Homes Standard.

# STRATEGIC REPORT: OUR PROPERTIES AND BUILDING SAFETY

As at the end of March 2024 all but 54 homes met the Decent Homes Standard, with work on these programmed for the early part of 2024/25.

Building safety remains of paramount importance, and there are robust procedures and comprehensive controls in place regarding fire safety which are reviewed and tested on a regular basis. We have a Primary Authority Agreement in place with Kent Fire and Rescue Service which is a legally recognised partnership to make sure we keep our buildings and customers safe. The Group owns 5 blocks above 18 metres or over 6 storeys that fall under the requirement of The Building Safety Act to create building safety cases. None of these have ACM cladding and all building remedial works have been completed. As at 31 March 2024 all Fire Risk Assessments were up to date.

<b>Building name</b>	<b>No of storeys</b>	<b>No of homes</b>	<b>Cladding</b>
Melville Court	14	56	No
Regent Court	13	48	No
Steddy's Court	13	48	No
Wellington Court	13	48	No
The Auditorium	7	26	The cladding is defined as non-combustible or low risk in the Building Regulations, meaning that it improves the fire safety standards of the building and protects our customers living within it.

We have completed a programme of identifying any issues on the buildings over 11 and below 18 metres. With the exception of two blocks, all these works were completed during 23/24. The remaining two blocks, one of 28 flats and the other of 36 flats, both spread over 5 floors, are forecast to be completed during 24/25, and full preventative actions such as an upgraded alarm system are in place until that work is complete. Since the start of our fire remediation programme, we've completed remedial works to 637 homes.

During the year mhs homes invested £1 million and Heart of Medway £0.9 million on fire safety remediation costs, all of which was accounted for in operating costs.

## **Damp and Mould**

Following the tragedy in Rochdale, we have worked hard to remedy problems around damp and mould in our homes. We have adopted a 'zero tolerance' approach to damp and mould and have created a dedicated team to tackle the issue. We have completed a comprehensive review of our approach to damp and mould, and in doing so have reviewed the published learning outcomes on Awaab's case as well as a self-assessment against the Housing Ombudsman of the spotlight report on damp and mould. The review led to 26 recommendations across 7 themes which have been developed into an action plan with a task and finish group assigned. The progress against this plan is monitored by our Building and Safety Task group which has senior oversight by the Executive team. As of the end of March we had 1,311 reported cases of Damp and Mould open on our systems. All of them have been visited and repairs are either in progress or have been completed. We keep the cases open for an additional 3 months to ensure that the remedy has resolved the problem, before we close the case.

# STRATEGIC REPORT: TENANT SATISFACTION MEASURES

The Tenant Satisfaction Measures (TSMs) have been introduced by the Regulator of Social Housing in England to assess how well landlords are doing in providing good quality homes and services and helps tenants hold social housing landlords to account. Our results are also published on our website.

There is much in these results to be proud of and we compare well to other social landlords in the overall results on satisfaction. We have benchmarked our results against data provided by a 3<sup>rd</sup> party organisation, who looked at the outcomes of 84 RP's. However, there are areas where improvement is required, especially around our approach to complaints and anti-social behaviour. Our performance on non-emergency repairs is also below what we expect. In response there has been both an increase in the resources allocated to these areas and reviews on how we can improve efficiency.

Measure	Result	
	mhs Group	Benchmarking
Overall satisfaction with the service provided by us	81%	71%
<b>Keeping properties in good repair</b>		
Satisfaction with repairs carried out	79%	72%
Satisfaction with time take to complete repairs	68%	68%
Satisfaction that the homes provided are well maintained	78%	71%
<b>Maintaining building safety</b>		
Satisfaction we provide a home that is safe	86%	77%
<b>Respectful and helpful engagement</b>		
Satisfaction that we listen to our customer's views and act on them	54%	62%
Satisfaction that we keep our customers informed about things that matter to	74%	70%
Agreement that we treat customers fairly and with respect	85%	77%
<b>Effective handling of complaints</b>		
Satisfaction with our approach to handling complaints	43%	37%
<b>Responsible neighbourhood management</b>		
Satisfaction that we keep communal areas clean and well maintained	66%	65%
Satisfaction that we make positive contributions to neighbourhoods	72%	63%
Satisfaction with our handling of anti-social behaviour	56%	59%
<b>Building Safety</b>		
Gas safety checks completed	99%	
Fire safety checks completed	100%	
Asbestos safety checks completed	100%	
Water safety checks completed	100%	
Lift safety checks completed	98%	
<b>Decent Homes and repairs</b>		Benchmarking information not available
Homes that do not meet the Decent Homes Standard	54	
Non-emergency repairs completed within target timescale	51%	
Emergency repairs completed within target timescale	91%	
<b>Anti-social behaviour</b>		
cases relative to the size of the landlord (number of cases per 1,000 properties)	22.6	
cases that involve hate incidents, relative to the size of the landlord	0.5	

mhs homes fully complies with the Housing Ombudsman code and looks to deal with complaints in an efficient manner that both provides a resolution for the customer and leads to improvements in our customer service"

# STRATEGIC REPORT: STREAMLINED ENERGY AND CARBON REPORT & SUSTAINABILITY

The Streamlined Energy and Carbon Report (SECR) framework is a mandatory UK-wide energy and carbon reporting scheme, implemented to create a straightforward carbon reporting framework and our results, which cover our head offices, communal areas in our properties and vehicle fleet, are shown below.

	tCO <sub>2</sub> e			kWh: kilowatt hours	
	2022/23	2023/24		2022/23	2023/24
Scope 1	1,039	1023	Electricity	2,492,625	2,414,779
Scope 2	482	500	Natural Gas	4,093,819	4,283,105
			Direct Transport	1,209,931	1,000,546
<b>Total</b>	<b>1,521</b>	<b>1,523</b>		<b>7,796,375</b>	<b>7,698,430</b>

**Scope 1:** Activities for which the Group is responsible involving the combustion of gas, or consumption of fuel for the purposes of transport.

**Scope 2:** The purchase of electricity by the Group for its own use, including for the purpose of transport.

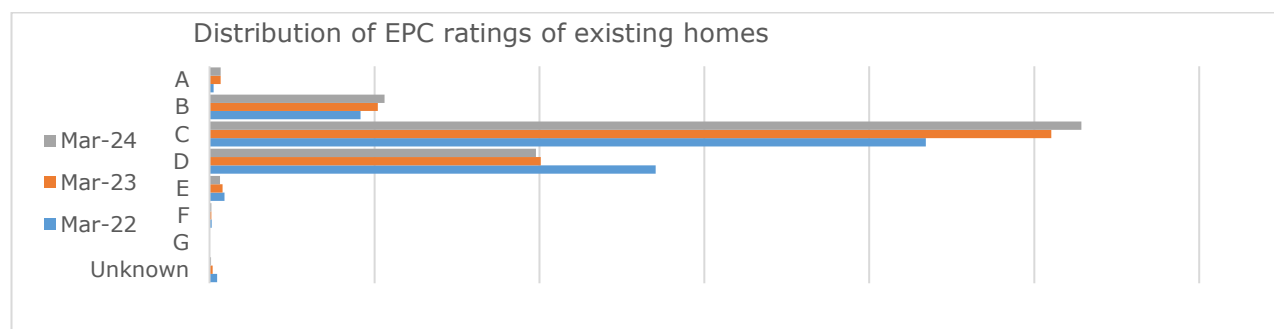
## The intensity Ratio

The Intensity ratio decreased from 22.8 Tco<sub>2</sub>e/£m to 21.75 Tco<sub>2</sub>e/£m.

Emissions for 2022/23 have been restated, being calculated using consumptions in kWh in the Annual Report and the relevant BEIS government emissions factors.

## Energy Efficiency Actions taken during the year

mhs homes continues to procure the majority of electricity from renewable and green tariffs, hence the small amount of CO<sub>2</sub> released compared to that from other energy sources. We are focused on having all homes at a minimum EPC rating C by, at the latest, 2030 and are confident of achieving this target as the year on year improvements are shown below.



We are taking the following actions to further reduce our impact on the environment: -

- We continue to invest to increase energy efficiency with over £13 million included in our long term financial projections to upgrade our tenant's homes.
- All new homes commissioned from April 2021 have been completed to a minimum of EPC rating B.
- Our fleet of electrical vehicles has reduced CO<sub>2</sub> emissions from vehicles by over one quarter and our gas and water hygiene contract includes an agreed reduction of 5% of vehicle carbon emissions year on year to 50% by the end of the contract.

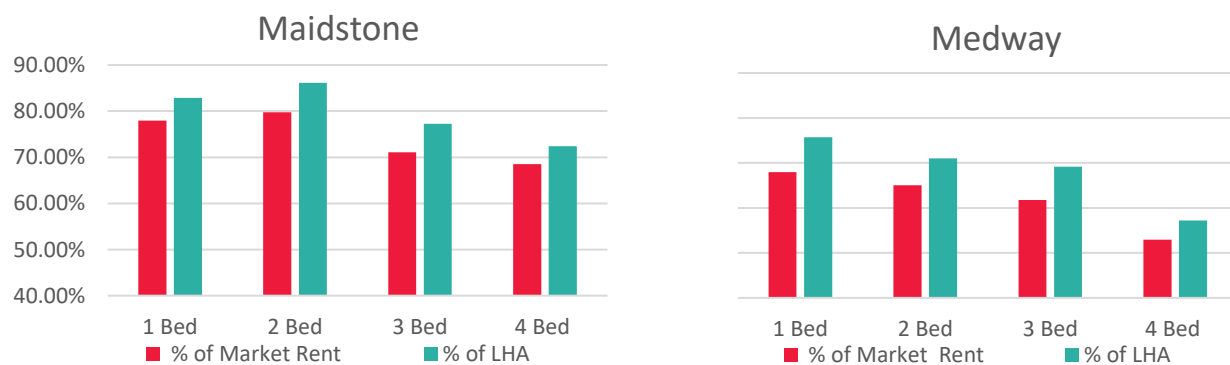
# STRATEGIC REPORT: SOCIAL IMPACT

The social housing sector has a clear social purpose: to provide affordable, secure, quality housing to those who are unable to afford to buy or rent in the private market. We take this responsibility seriously as evidenced by the actions below.

- Our rent increase in April 2023 was capped at 7% despite inflation being significantly higher during the year.
- We ensure that social value is included in all procurement over £100,000 with activities ranging from use of apprentices to painting of community centres.
- We offer a Customer Support Fund that offers small grants to customers to help with the increased cost of living including energy costs.
- We offer free energy advice to our customers, providing guidance on how to save money on household bills and keeping warm.
- We offer vulnerable customers who are under occupying their homes and struggling to afford their energy bills the opportunity to downsize.
- We ensure that at least 30% of our lettings will be to homeless households; this year 29% of all lettings went to homeless households.

Our Tenancy Support Programme is designed to help customers with the cost of living crisis and more effective multi-agency interventions on domestic abuse, mental health, safeguarding, community safety, anti-social behaviour and hate crime.

As a charitable social housing provider our properties must be affordable whilst generating sufficient income to both maintain our existing stock to the highest standard and provide new homes. We therefore monitor our rents closely against market rents and Local Housing Allowance (LHA) as summarised. Our rents tend to be higher in Maidstone as the majority are let at affordable rather than social rent.



One of our core aims is to create balanced and sustainable communities, where people want to live and choose to stay. Security of tenure is crucial to this and, apart from starter tenancies and the market rented portfolio, all tenants have a lifetime tenancy. Over the year there was a significant increase in the number of customers claiming Universal Credit (UC) to 3,678 (2023: 3,402) with over a third of these customers on Alternative Payment Arrangements.

# STRATEGIC REPORT: DIVERSITY AND INCLUSION

Whatever someone’s age, gender, disability status, sexual orientation, religion, ethnicity or family circumstances, it is central to our culture to make sure they are treated with fairness and respect. One of our key values is respect for the diversity of our customers and colleagues. We know that this brings creative advantage and innovation.

As part of our inclusion journey, we were delighted to have been awarded the RACE Equality Code quality mark in 2023, which speaks to our commitment both to equality and effective Governance. The RACE Equality Code – which stands for Reporting, Action, Composition and Education – is specifically about increasing diversity in senior leadership and enabling opportunity, and we are one of very few boardrooms in the social housing sector to have achieved this status.

In 2024, we were very pleased to have achieved Diversity Network Accreditation, an outcome-based assessment process overseen by the Housing Diversity Network.

The Board have committed to being open and transparent about where we are on the inclusion journey, about our targets to get us to where we want to be and the progress we are making. We recognise that we can make improvements in understanding and responding to diversity and in providing a fully inclusive service for all our customers, we commit to making those improvements, including improving representation of underrepresented groups.

We have an Equality, Diversity & Inclusion Task Force, chaired by the Chief Executive, that ensures that progress is monitored against targets. This Task Force is responsible for leading on race diversity and other aspects of inclusion, setting targets based on the most up to date census data, with reports being presented to Board twice a year. In order to ensure transparency these updates will be published on our website.

The Board has agreed an Anti-Racism Statement for the organisation, making a public and conscious effort to work against all aspects of overt and systemic racism. This statement is available on our website with our commitments which include: -

- |   | <b>Current position</b> |                 |
|---|-------------------------|-----------------|
|   | Board                   | Leadership Team |
| <ul style="list-style-type: none"> <li>▪ By September 2023 we aimed to have at least one Black, Asian or minority ethnic board member and two Black, Asian or minority ethnic members of the senior Leadership Team. This was successfully achieved.</li> </ul> | -                       | 1               |
|   | 1                       | 1               |
|   | 8                       | 7               |
|   | <b>9</b>                | <b>9</b>        |
- By 2025 to increase the Black, Asian and minority ethnic composition of our workforce to 15% from the current position of 7.5% thereby reflecting the communities we serve in.
- A learning and development plan for all colleagues that will help to raise awareness and challenge unconscious bias.
- Collecting and analysing ethnicity workforce data to ensure an evidence based approach to workforce representation. We also annually publish our ethnicity pay gap.
- Implementing diverse and inclusive recruitment, talent management, and succession planning strategies so that there are clear career pathways for Black, Asian and minority ethnic employees and employees from other underrepresented groups.



# STRATEGIC REPORT: DIVERSITY AND INCLUSION

- Developing new approaches to grievance, capability and disciplinary procedures to ensure that such processes are fair, open and transparent.
- Ensuring that our commitment to being anti-racist is at the heart of the way we operate as a social landlord. We know that within the UK, Black, Asian and minority ethnic tenants are more likely to live in overcrowded or poor housing. We need to better understand the reasons for any disparities within our own housing stock and take steps to address them.
- As a leading housing charity with a commitment to social justice, we will also use our voice to call out racism and promote equality and fairness.
- We have adopted a 'zero tolerance' approach to all forms of racism and hate crime (such as homophobia, antisemitism, Islamophobia) and will take action against all tenants where they or their family/visitors are found guilty of such an offence.

All of our recruitment has details on protected characteristics covered under the Equality Act omitted at the shortlisting stage to ensure a fair and merit-based approach to interview selection. As a Disability Confident employer if a candidate has a disability and meets the essential requirements of the post, they will be offered an interview for the job.

During the year we completed an accessibility review of our website to ensure that it meets the need of people with disabilities. Currently 3% of our workforce have a long term disability compared to 18% of the population in the areas we work.

## Breakdown of employees by gender and pay band by pay quartiles

Our average gender pay gap is 0.4% (2023: 3.1%) in favour of men. The national average is 14.3%.

Quartile	% Female	% Male
Upper	45	55
Upper middle	39	61
Lower middle	52	48
Lower	47	53

## Breakdown of employees by race and pay band by pay quartiles

Our average ethnicity pay gap is 2.2% (2023: 2.3%) in favour of colleagues from a "non-white" ethnicity.

Quartile	% Non-white	% White
Upper	21	79
Upper middle	25	75
Lower middle	18	82
Lower	18	82
Total in company	13	87
Total in local area	16	84

No differences are because people are paid differently for the same or equivalent work. To make sure all colleagues are treated fairly, we benchmark all of our salaries against the external market every three years and did so this year.

# STRATEGIC REPORT: RISK MANAGEMENT

The Group's definition of a risk is an event which could hinder the Group from achieving its strategic objectives. We use a system of risk scoring which reflects a combination of the probability of an event occurring and its consequences under the Group's Risk Management Strategy. All risks are managed within an acceptable level of residual risk to the business. The risk register is split into strategic and operational risks. The mhs Group Board is responsible for ensuring the organisation has an appropriate risk and control framework in place Strategic risks are managed by the Leadership Team and reported to the Group Board and Group Finance, Risk and Audit Committee.

Assistant Directors are asked to sign assurance statements, which are presented to the Group Finance, Risk and Audit Committee quarterly as part of the strategic risk update, with an annual compliance confirmation, detailing that all risks have been considered, that controls and assurances are in place. This includes that all appropriate legislation has been considered and flowed into policies where necessary. All controls have specific accountability to operational managers and colleagues with timescales for implementation and on-going review through the assurance map. The Company Secretary meets monthly with the Internal Audit Manager to ensure audit actions are captured and monitored. Internal Audit compliance continues to be reported quarterly to senior management, Group Finance, Risk and Audit Committee, and Group Board.

These controls are assessed using the three lines of defence model and the Board has agreed that its definition of risk appetite is "the amount of risk mhs homes is prepared to accept, tolerate, or be exposed to at any point in time based upon current risk exposure". This is regularly reviewed, and our current risk appetite is summarised below.

## Risk appetite

## Risk Category

**Avoid:** Zero tolerance , avoiding risk is the key objective.

Governance & Compliance  
Data protection and cyber security  
Health and Safety

**Cautious:** Preference for safe options with low inherent risk, even if this gives limited potential reward.

Decent, Safe, Compliant and Sustainable Homes  
Reputation and Customer Satisfaction  
Financial Hardship for Customers  
Funding, Liquidity & Covenant Compliance  
Supply Chain

**Open:** Willing to consider all potential options that also provide acceptable reward and Value for Money.

Service Delivery  
Development  
People

**Seek:** Eager to be innovative, choosing options offering higher potential rewards despite greater risks.

Technology and Innovation

# STRATEGIC REPORT: RISK MANAGEMENT

The Board consider a number of strategic risks with the key areas considered below.

Risk	Mitigations and assurances
<p><b>Failure to provide decent, safe, compliant &amp; sustainable homes</b></p>	<ul style="list-style-type: none"> <li>• Champion status under the Building A Safer Future Charter.</li> <li>• We have a Primary Authority Partnership with Kent Fire &amp; Rescue Service.</li> <li>• Intrusive Type 4 Fire risk assessments in high-risk buildings.</li> <li>• Landlord compliance reports to Finance Risk and Audit Committee and boards.</li> <li>• Dedicated Damp and Mould and Building and Customer Safety Teams.</li> <li>• Our stock condition data is validated externally.</li> <li>• Target of every property to have a survey no more than 5 years old.</li> <li>• An internal Safeguarding Board monitor our controls and processes with regard to children and vulnerable adults living in our homes.</li> </ul>
<p><b>Failure to ensure colleagues are safe at work</b></p>	<ul style="list-style-type: none"> <li>• 5 star award from the British Safety Council in 2024.</li> <li>• Review in 2023 of Health and Safety approach by the Royal Society for Prevention of Accidents.</li> <li>• Health and safety culture audit in 2023.</li> <li>• Dedicated Health and Safety Committee.</li> </ul>
<p><b>Failure to maintain a talented, diverse, engaged workforce</b></p>	<ul style="list-style-type: none"> <li>• We invest in People “Gold” accreditation.</li> <li>• We Invest in Wellbeing “Silver” accreditation.</li> <li>• Diversity Network and RACE Code Accreditation.</li> <li>• Salaries are benchmarked every three years.</li> </ul>
<p><b>Failure of data security</b></p>	<ul style="list-style-type: none"> <li>• Penetration tests on our overall cyber security system.</li> <li>• Regular security and data protection training for colleagues.</li> <li>• Regular phishing tests for staff with follow up targeted training.</li> <li>• Regular vulnerability scans on our systems.</li> </ul>
<p><b>Failure to maintain long-term financial viability and failure to meet existing covenants</b></p>	<ul style="list-style-type: none"> <li>• Long term financial planning with robust stress testing.</li> <li>• Annual review and approval of golden rules and stress testing to test and reaffirm risk appetite.</li> <li>• Regular economic updates from our Treasury advisors.</li> <li>• Annual review of Treasury policy including substantial buffers around liquidity.</li> </ul>
<p><b>Failure to maintain excellent customer service levels</b></p>	<ul style="list-style-type: none"> <li>• Regular in-depth customer surveys.</li> <li>• A rigorous, clear, transparent and timely complaints procedure.</li> <li>• Customer Service Excellence accreditation.</li> <li>• Customer experience training for all staff.</li> </ul>

# VALUE FOR MONEY STATEMENT

Housing associations must demonstrate a robust approach to Value for Money. The section below outlines our approach and demonstrates how:

- The Board sets targets, monitors and drives Value for Money and performance through the Value for Money strategy.
- Our performance, cost and customer satisfaction is benchmarked to other similar organisations.
- We ensure satisfactory return on assets.

## **Approach to Value for Money**

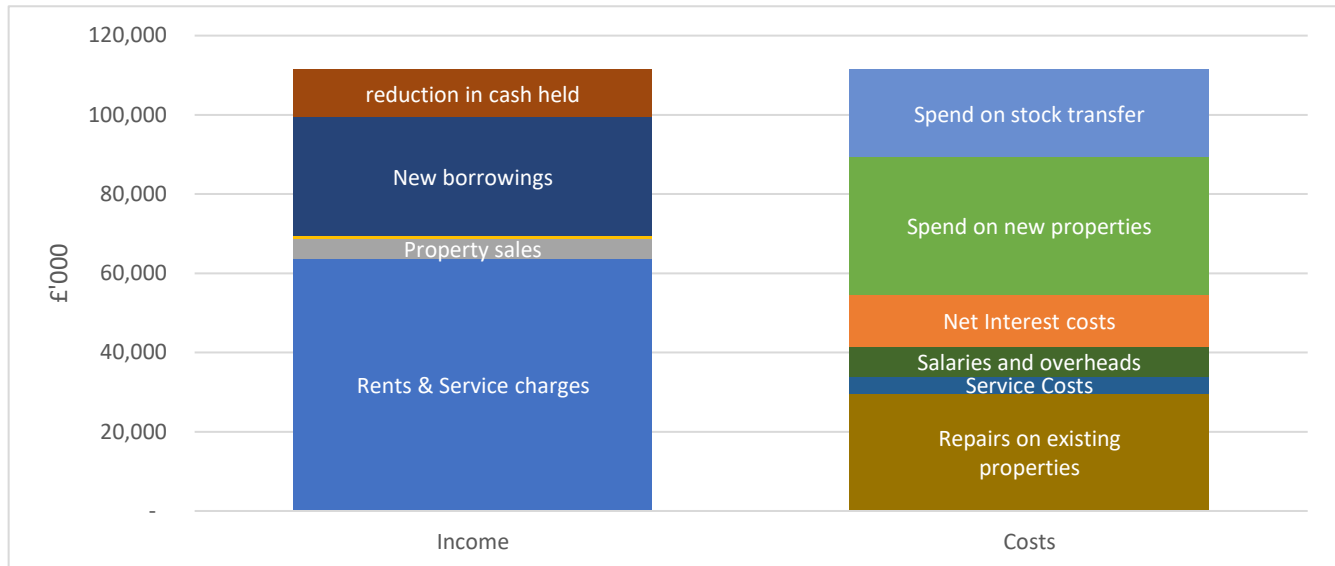
The success of the approach taken by the Group in embedding Value for Money can be seen in our results with a robust framework at the heart of all decision-making. The Board ensure that our strategic plans include challenging targets for efficiency, cost control and customer service. The primary financial control in the 2021 – 2024 Strategic Plan was a minimum ratio of surplus to turnover. Without this level of performance, we would be unable to sustain the development programme in place. The Board carefully monitors progress. Budgets are set within this framework and any decisions made are considered through this prism. Other arrangements for ensuring that Value for Money is being obtained include:

- An annual programme of investment in the housing stock which is based on a 30 year stock investment plan for replacing building components, such as windows, roofs, kitchens and bathrooms, which aims to maintain our stock at 100% Decent Homes Standard.
- A comprehensive Procurement Strategy that sets a discipline to seek Value for Money in the evaluation and award of new contracts. Where possible, supply chains are consolidated to provide greater scope for efficiency and reducing costs.
- The Customer Scrutiny Panel commissions service reviews, including Value for Money considerations, and based on these reports' recommendations are made to the Board.
- Intrinsically linked to the Asset Management Strategy is our approach to active asset management. Every property has been reviewed for maintenance costs (both past and future), income, demand and management considerations. Properties that require excessive investment to bring them to the standard required are identified for disposal and the proceeds are reinvested into new or existing homes.
- The business transformation programme continues to optimise digital channels and provide improved customer service by reallocating resources into areas that add greatest value to the customer.
- Salaries are reviewed against external benchmarking every three years and are set against the market median salary. The annual salary increase is recommended to the Board by the Remuneration Committee where independent evidence on pay rises is presented.

# VALUE FOR MONEY STATEMENT

## How we use our money

Our rental income is used to maintain our homes and provide our housing management and community services. Any surplus is reinvested in our homes and building new homes. These graphs show the income we received and how we have used it in 2023/24.



## Our performance compared to comparable organisations

We have compared the Group's results with the sector using the Regulator of Social Housing Summary of Global Accounts for 2023 for Registered Providers in the Southeast of England between 5,000 and 20,000 units. Scores at or better than median in this selection are shown in green. The results highlight the financial strength of the organisation. The increase in unit costs reflects a substantial increase in investment in our existing housing stock.

Metric	The Group			
	Budget	Actual		Median <sup>1</sup>
	2025	2024	2023	
Investment in - new and existing properties	6.9%	5.7%	2.9%	7.1%
New supply delivered – social housing	1.8%	1.0%	0.8%	2.3%
New supply delivered – non-social housing	0.0%	0.0%	0.2%	0.0%
Gearing	50%	<b>44%</b>	<b>42%</b>	50%
EBITDA: interest rate cover	121%	<b>164%</b>	<b>241%</b>	149%
Social housing cost per unit £	5,439	<b>4,642</b>	<b>3,690</b>	4,890
Operating margin (overall)	32%	<b>32%</b>	<b>41%</b>	26%
Return on capital employed	3.5%	<b>3.4%</b>	<b>4.3%</b>	3.3%

<sup>1</sup> Sourced from 2023 for associations in the South East between 5,000 and 20,000 units.

# VALUE FOR MONEY STATEMENT

## Our performance against our targets (the group) in 2023/24

Metric	Actual	Budget
Investment in properties - new and existing	5.7%	7.1%
New supply delivered – social housing	1.0%	1.0%
New supply delivered – non-social housing	0.0%	0.0%
Gearing	44%	48%
EBITDA: interest rate cover	164%	157%
Social housing cost per unit £	4,642	4,933
Operating margin (overall)	32%	31%
Return on capital employed	3.4%	3.4%

The overall development programme was smaller than anticipated due to delays in contracting schemes because of the difficult economic circumstances. This led to less borrowing, hence the lower than anticipated gearing.

## Our performance against our targets and other key indicators

	Target for 31 March 2024	Actual as at 31 March 2024	Actual as at 31 March 2023
<b>13-week average of gross rent arrears</b>	<b>3.6%</b>	<b>4.2%</b>	<b>3.9%</b>
<p>Though rents arrears were above target, and increased slightly in the year, this is viewed in the context of the cost-of-living crisis and the impact of more customers moving onto universal credit. The Board has approved an increase in front line resources in the upcoming year to ensure an improvement in results.</p>			
<b>Average end to end relet time (days)</b>	<b>30</b>	<b>32.2</b>	<b>37.6</b>
<p>Performance improved by 5 days this year and, whilst short of our ambitious target, represents top quartile performance within the sector.</p>			
<b>Average days to complete a repair</b>	<b>20</b>	<b>21.6</b>	<b>23.3</b>
<b>Repairs completed right first time</b>	<b>90%</b>	<b>89%</b>	<b>87%</b>
<p>Both repair metrics showed improvement and we see no reason why this target should not be met in future years; especially as the Board approved increased front line resources in the 2024/25 Budget.</p>			
<b>Overall customer satisfaction</b>	<b>80%</b>	<b>81%</b>	<b>74%</b>

A significant improvement meant that our target was met. It is expected that this trend will continue into the new year.

# VALUE FOR MONEY STATEMENT

## Return on investment by asset type

	Net Cost of Asset*	2023/24			2022/23	2021/22
		Income	Surplus	Return	Return	Return
		£'m	£'m	%	%	%
General needs	289,552	57,577	18,617	6.4	9.1	8.8
Shared ownership	66,959	2,945	1,209	1.8	1.9	2.9
Market rented**	46,615	4,204	2,736	5.9	3.5	4.5

\*Based on net book value excluding revaluations taken as transition to FRS102.

\*\* After adjusting for depreciation to ensure comparability with other income streams

- The return on general need properties was reduced as increased spend on repairs takes place, and which we expect to stay at this level for the medium term.
- A greater return would be obtained on our social housing stock if rents were permitted to increase above Local Housing Allowances rates. However, the Board takes the view that it is essential that rents are kept affordable to those in housing need, with social benefit outweighing return on assets.
- The Group owns 379 market rented properties. These are held as an investment to generate a surplus that can be reinvested back into social housing. This process is managed by:
  - The Board setting the expected return from any new market rented schemes taken into management, with this return reflecting the expected risk.
  - The Board agreeing an amount to be invested into the market rent portfolio on an annual basis that is appropriate considering the charitable status of mhs homes and the size of the overall development programme.
  - The return from the market rent portfolio is reviewed on an annual basis by the Board to satisfy them that the return is commensurate to the risk involved.

# TRUSTEES' ANNUAL REPORT INCORPORATING DIRECTORS REPORT: GROUP BOARD AND ADMINISTRATIVE DETAILS

The Board is comprised of up to nine Trustees, including two tenant board members.

The role of the Board is to govern the Group to provide accountability, strategic direction and to be responsible for the proper stewardship of the organisation.

The Board delegate the day-to-day management within the strategic direction agreed by the Board to the Executive Team. Major financial contracts where the charity is committed to expenditure of more than £5 million are agreed by the Board. The Board monitor this expenditure through an agreed budget and long-term financial plan, with management accounts being scrutinised by both the Group Finance Risk and Audit Committee and the Board.

During the year there are at least six meetings, one of which is the Annual General Meeting. In 2023/24 the Board held eight meetings, inclusive of the Annual General Meeting, at which the average attendance rate was 98% (2023: 95%).

Applications for membership are invited by open advert. Applicants are shortlisted and interviewed with appointments made according to required skills, competencies and experience. In the case of tenant Trustees annual elections take place.

Regular skill audits of the Board are undertaken. Trustee terms are normally limited to two terms of three years, although with the provision of our chosen governance code by exception a Trustee may serve up to a maximum of nine years.

## Trustee

N Hopkins

A Hook

Lord Roy Kennedy

I Cain

M Miles Lea

R Christopher

J Carr

L Heffernan

M Mulligan

J Seager

## Position

Chair

Chief Executive

Non-Executive

Non-Executive

Non-Executive

Non-Executive

Non-Executive

Tenant Nominee

Tenant Nominee

Tenant Nominee

Resigned 9 July 2024

Appointed 20 July 2023

Resigned 20 July 2023

## Auditors

BDO LLP

31 Chertsey Street

Guildford

Surrey

GU1 4HD

## Charity's address

mhs homes

Broadside

Leviathan Way

Chatham

Kent

ME4 4LL

**Country of incorporation:** England

**Bankers:** National Westminster Bank Plc

## Legal status

Private company limited by guarantee without share capital No. 10704997

Registered charity with the Charity Commission No. 1177565



# TRUSTEES' ANNUAL REPORT INCORPORATING DIRECTORS REPORT: GROUP BOARD AND ADMINISTRATIVE DETAILS

## **Nigel Hopkins | Chair**

Nigel has over 30 years' experience in finance in a variety of roles including Finance Director for Abbeyfield, a leading charity in the supported housing sector. Nigel is currently a group board member and Chair of the Audit & Risk Committee at London & Quadrant housing group.

## **Ashley Hook | Chief Executive**

Ashley, a chartered surveyor, is Chief Executive of mhs homes and has a strong background in housing, having previously worked for various local authorities and housing associations. Ashley is also a Chartered Director and sits on a number of boards including the BRE Trust and the Nominations & Remuneration Committee of the RICS.

## **Joseph Carr | Board member**

Joseph is a chartered accountant of more than three decades and has been associated with the housing sector, on and off, for the majority of his working life, including more than 10 years at the National Housing Federation. He has invaluable experience both in policy and treasury.

## **Ian Cain | Board member**

Ian's career extends to some 30 years in corporate and commercial organisations focusing on providing essential services to customers and communities. He is currently CEO of SES Water. Ian brings a wealth of leadership and board experience, having led business through significant change with a focus on people's customers technology and value.

## **Ray Christopher | Board member**

Ray is a corporate financier and treasurer with more than 30 years of international finance experience across many sectors including energy, high-tech and social housing. His expertise includes capital markets, risk and active asset management.

## **Mark Miles Lea | Board member**

Mark has worked in the housing sector for over 25 years, including over 5 years at a senior executive level. He has particular expertise in the development of new homes. He is also a Non-Executive Director for a community-based Housing Association in east London.

## **Michelle Mulligan | Board member**

Michelle is a mhs homes tenant. Michelle is retired from full time work, her previous careers have included banking and working for a children's literacy charity.

## **Louise Heffernan | Board member**

Louise is a mhs homes tenant and understands how having an affordable, safe and secure place to call home is vital.

# TRUSTEES' ANNUAL REPORT INCORPORATING DIRECTORS REPORT: COMMITTEES AND EXECUTIVE TEAM

Trustee	Position	Changes in year
<b>Group Finance Risk and Audit Committee</b>		
J Carr	Chair	
I Alfon	Member	
G Taylor	Member	
R Oirschot	Member	Resigned 20 July 2023

The Committee met five times last year and is responsible for reviewing the finances, including budget, long term financial plan, stress testing and mitigation plans before recommending to Board. The committee recommends policies and procedures for identifying and assessing business risks, and the on-going management of those risks. The Committee also reviews the effectiveness of internal control systems, considers reports from the internal and external auditors and reviews the annual financial statements prior to Board approval.

## Remuneration Committee

I Cain	Chair	
N Hopkins	Member	
Lord Kennedy	Member	Resigned 9 July 2023
Ray Christopher	Member	

The Remuneration Committee is responsible for reviewing the pay and conditions of service of the Executives and has oversight of the Chief Executive's annual appraisal. It met on three occasions in the year and consists of four Non-Executives from the Group Board. Where needed the Remuneration Committee seek independent external advice

## Treasury Committee

R Christopher	Chair	
G Taylor	Member	
N Hopkins	Member	
J Chia	Member	Appointed 8 November 2023
L Barton	Member	Resigned 13 July 2023

The Treasury Committee has met four times during the year. It is responsible for scrutinising treasury activities and recommending policies, strategies and new borrowings to the Boards.

## Executive Team

A Hook	Chief Executive
B Shelmerdine	Finance Director
A Cheswick	Executive Director - Customer & Transformation
G Hancock	Executive Director - Assets & Development

The Leadership Team during the year consisted of the Chief Executive, Executive Directors, Company Secretary and Assistant Directors. Together they are responsible for the day-to-day operations of the Group and act within the authority delegated to them by the Board, as set out in Standing Orders and Delegated Arrangements.

## Objectives and Activities

**mhs homes limited ("mhs homes")** is a registered charity with the objectives to provide social housing in Kent and all services linked to this provision to alleviate housing need in Medway and the surrounding areas. These include constructing, improving and managing social housing, along with the sale of shared ownership properties. It was formed on 29 July 1990 as a Community Benefit Society when it acquired the entire housing stock of the then Rochester upon Medway City Council being one of the first large-scale voluntary transfers and the only one to take place that was not registered with the regulator. mhs homes became a registered charity in 2018.

## Public Benefit Statement

The Trustees of **mhs homes** ensure that the purpose of the charity is for the public benefit by:

- Adopting policies that require it to allocate housing, both rented and shared ownership, to applicants that meet with its objectives of acting for the relief of those in need by reason of poverty, age, ill health or disability – all social housing is rented to new customers in conjunction with our partner local authorities with rent levels at or below 80% of market rent.
- By investing our surpluses in developing new affordable housing, both rented and shared ownership.

The homes we own are managed in a way that provides an excellent customer service through our day-to-day interactions with our customers and a high-quality home to live in. Specific examples of practical differences made to our community include:

- 94 new homes brought into management.
- 91 new starts on sites to provide new homes in future years.
- 434 new tenancies started in the year.
- 29% of new lettings were made to people who were previously homeless.
- The proportion of our homes at EPC rating of C or above increased from 75% to 77% leading to a reduced carbon footprint and lower bills for our customer.
- By being an accredited Living Wage employer ensuring all suppliers we deal with pay a fair wage.
- A Customer Support Fund that offers small grants to customers to help with the increased cost of living and energy bills.

The Trustees recognise that a financially successful **mhs homes** is able to provide more new social housing. Therefore, as well as having the objective of financial efficiency, which is described in more detail under the Value for Money statement on page 18 the objectives of **mhs homes** allow for financial investments. These are defined under an Investments Policy agreed by the Trustees and our current strategy limits the investments to the supply of market rented properties and a loan to a subsidiary that owns the head office building.

The level of investment in new market rented stock is considered each year as part of the annual budget setting procedure, with the current policy stating that no more than 35% of cash surpluses should be used for financial investments. These are purchased with the intention of holding them over the long term, with the returns being reviewed at regular intervals.

# TRUSTEES' ANNUAL REPORT INCORPORATING DIRECTORS REPORT: OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

mhs homes limited ("**mhs homes**"), the parent body of the mhs homes group ("**the Group**"), is a registered charity (1177565) and a company limited by guarantee (10704997). It is governed through a Memorandum and Articles of Association. The Board of Trustees of **mhs homes**, who are also directors of the charity for the purpose of the Companies Act 2006, have overall responsibility for the direction, management and control of the charity. Whilst **mhs homes** is not registered with the RSH it is fully committed to reinvesting any surpluses back into social housing. It is regulated by the Charity Commission and its disclosures and accounting treatment follow those set out by the Charity Commission. However, as a provider of social housing we have structured this report to be comparable with those provided by the regulated social housing sector. As the parent organisation, **mhs homes** has five subsidiaries:

- Heart of Medway Limited is registered as a community benefit society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the RSH.
- Chatham Maritime K1 Construction Limited is responsible for delivering elements of the Group development programme.
- Chatham Maritime K1 Developments Limited is a commercial subsidiary whose sole activity is the ownership of the head office for the Group.
- mhs commercial services limited and mhs community charity limited are dormant companies.

**mhs homes** is also the corporate trustee for Lord Kitchener Memorial Homes Trust, an Almshouse in Medway owning six homes and registered with the Charity Commission.

**mhs homes** has adopted and is fully compliant with the National Housing Federation's Code of Governance: promoting board excellence for housing associations (2020 edition). This code is more relevant to **mhs homes** than the Charity Governance Code. In common with many housing associations, Board members receive a fee and the reimbursement of properly incurred business expenses. Along with the National Housing Federation Code of Governance **mhs homes** has adopted the "Conduct Becoming" standard with respect to conduct and probity. There is a system of open declaration recorded in the minutes of Board meetings and for other matters occurring outside the boardroom there is a Declarations Register. This is accessible to all members of the Board and is systematically scrutinised by the Group Finance, Risk and Audit Committee.

## Induction and training opportunities for Trustees

All new trustees receive a structured induction programme which includes visits to projects, a briefing session on governing documents, meetings with colleagues and one-to-one sessions with the executives. All new Trustees, irrespective of experience, are also required to attend an Institute of Directors course on the role of the Director and the Board. All Trustees undergo an annual appraisal with the Chair, as well as conducting a review of effectiveness of the Board as a whole.

## Arrangement for remuneration of Trustees

To ensure transparency and independence the Board has established that the fees of the Non-Executive Directors be reviewed annually, with external benchmarking advice taken every three years. The fees were last benchmarked in 2021 and will be reviewed next in the year ending 31<sup>st</sup> March 2025.

## Fair representation

The Board communicates with and manages the interests of its stakeholders through the full-time professional input of the Executive Directors' team. The Board conforms to best practice as defined in standards published by the National Housing Federation. There is an annual governance report which scrutinises and appraises the Board, and to which each member contributes. The report confirms that boardroom conduct meets the highest standards of corporate governance.

## Customer Scrutiny Panel

The Customer Scrutiny Panel is an essential part of the governance structure and exists to hold the organisation to account from a customer perspective. In the last year, the Panel carried out reviews of the following services:

- Gas Services
- Aids and Adaptations

A range of recommendations were made to help improve and shape future service delivery. This process is supported by external consultants so the Panel can call upon independent expertise as required.

## Modern Slavery and Human Trafficking Act 2015

We have a Modern Slavery and Human Trafficking statement. It was agreed by the Board and signed by the Chief Executive. Our statement is published on our website and confirms our commitment to ensuring that there is no modern slavery in our business or in our supply chains.

## Interests of the Employees

The Board is committed to maintaining a competent and motivated workforce by ensuring that sufficient people with the appropriate skills, knowledge and experience are employed to meet all business objectives. Details on employee numbers are contained in note 9 to the financial statements. Our colleagues are our most valuable resource, and we place great emphasis on high levels of colleagues' engagement. We are proud to hold 'Gold Investors in People' and 'We Invest in Wellbeing' Silver accredited status.

There is an Employee Forum ("Voice") which meets regularly to discuss terms and conditions of service and matters of colleagues' interest and input. The constitution has provision for meetings between the Directors and colleagues' representatives. For purposes of understanding and clear direction, there is a framework of delegation to colleagues set out in our Financial Regulations and Procurement Guide. It provides the details of the fundamental rules and procedures by which business is conducted, including the high expectation we have regarding integrity and probity.

Our Equality Diversity and Inclusion Policy covers all aspects of employment practices, from recruitment through to appointments, training, career development and succession planning. The Group is committed to having an inclusive and diverse workforce.

We aim to attract and retain the most talented people. The Human Resource team ensures that we have effective procedures for employee relations, recruitment, selection, compliance, pay, wellbeing, reward, and learning and development in place. Terms and conditions, including salaries, are set at competitive rates to attract and retain high calibre employees and are regularly benchmarked.

## Creditor Payment Policy

It is the policy to agree terms of payment with suppliers at the time of negotiating the transaction and abide by those arrangements conditional on being satisfied that the goods or services are delivered in accordance with the agreed specification.

## Exemptions from disclosures

No exemptions from disclosures have been taken in this report.

# TRUSTEES' ANNUAL REPORT INCORPORATING DIRECTORS REPORT: OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

## Impact on the environment

The Group recognises that it spends substantial amounts on new build projects and maintenance, and there is therefore a strong commitment to minimise our environmental impacts as far as is reasonably practicable. An Environmental Management System (EMS) is in place that is certified to ISO14001. We are committed to conserving resources, minimising the risk of pollution and reducing waste. The EMS is regularly reviewed, and all significant impacts are monitored to ensure that adequate measures are in place to reduce our impacts and promote environmental sustainability. Further information is available on page 12.

## Health and Safety

The Board is aware of its health and safety responsibilities and receives reports on health and safety issues, including accident statistics and monitoring reports. Detailed health and safety policies and procedures are in place and provide colleagues training and education on matters of health, safety and welfare. The Health and Safety Manager reports to the Board, Leadership Team and Group Finance, Risk and Audit Committee. Besides the duties of compliance testing and evaluation, the Health and Safety Manager serves the interests of colleagues reducing the risk of accidents and loss to the business. The British Safety Council audit grading has been in place since 2015 and is a validation of the work taking place organisation wide and the importance given to a safe working culture. Our last assessment on health and safety in January 2024 resulted in us achieving British Safety Council level 5 award ('excellent'). This is an important external validation of our robust approach to health and safety management.

## Going concern

After reviewing the budget of mhs homes for 2024/25 and a period beyond 12 months from the signing of the accounts, and based on normal business planning and control procedures, the Directors have a reasonable expectation that **mhs homes** has adequate resources to continue in operational existence for the foreseeable future. The Group has available £137 million of funding across three revolving credit facilities and a long term facility.

## Compliance with Governance and Financial Viability Standard

The Board of **mhs homes** determines and monitors the strategic direction of the Group and has adopted the National Housing Federation's Code of Governance: promoting board excellence for housing associations (2020 edition). It is an RSH requirement under the Governance and Financial Viability Standard to adopt an appropriate code and therefore a regulatory requirement for Heart of Medway. Both **mhs homes** and Heart of Medway undertake an annual review of compliance against this code which is certified by the Board. As the unregistered Parent of a registered provider, **mhs homes** is fully committed to maintaining Heart of Medway compliance with the RSH's Governance and Financial Viability Standards. **mhs homes** has formalised the management arrangements in place through an Intra Group Agreement that acknowledges and supports the Registered Provider status of Heart of Medway.

# TRUSTEES' ANNUAL REPORT INCORPORATING DIRECTORS REPORT: OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

## Fundraising statement

Although we do not undertake fundraising from the general public, the legislation defines fund raising as "soliciting or otherwise procuring money or other property for charitable purposes." Such amounts receivable would be presented in our accounts as donations. In relation to the above we confirm that if funds were held, they would be managed internally, without involvement of third parties. The day-to-day management of all income generation is delegated to the Leadership Team, who are accountable to the Trustees. The charity has no undertaking to be bound by any regulatory scheme. We have received no complaints in relation to fundraising activities. Our terms of employment require colleagues to behave reasonably at all times; as we do not approach individuals for funds, we do not consider it necessary to design specific procedures to monitor such activities.

## Our Reserves Policy

Reserves held by a registered charity will normally be the amount of unrestricted funds held. However, the past activities of **mhs homes** have been funded through a combination of surpluses and borrowings which means that this methodology is not appropriate and does not reflect the substantial portfolio that is held that allows **mhs homes** to meet its charitable objectives. **mhs homes** is in the position where it has a high degree of certainty over the income from its property portfolio, being able to set rents that it feels are affordable within the boundaries of providing social housing. This allows the long-term financial plans to incorporate:

- A surplus that exceeds the covenants set by its funders after allowing for management and maintenance costs that ensure our homes are kept at a high standard.
- This surplus being reinvested into new homes that meet the objectives of the charity.

For the purpose of financial management, the Trustees are concerned more with the management of working capital and consider that a healthy working capital position is in line with a policy of keeping reserves to fund future unrestricted expenditure in the event of a material decline in surpluses. Therefore, **mhs homes** has a robust treasury strategy that ensures:

- Sufficient cash is available to fund three months of cashflow.
- Sufficient charged loans are available to cover twenty-four months of cashflow.
- Sufficient loans are in place to cover three years of cashflow.

**mhs homes** currently exceeds the requirements of the reserves policy and our future planning show us maintaining this position for the foreseeable future.

## Auditor

All of the current Board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Associations' auditor for the purpose of their audit and to establish that the auditor is aware of that information. The Board members are not aware of any relevant audit information of which the auditor is unaware. BDO LLP have expressed their willingness to continue to act as our auditors. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

## Qualifying third part indemnity provisions

The directors have the benefit of an indemnity which is a qualifying third-party indemnity provision. The indemnity was in force throughout the last financial year and is currently in force. The group also purchased and maintained directors and officer's liability insurance in respect of itself and its directors throughout the financial year.

# TRUSTEES' ANNUAL REPORT INCORPORATING DIRECTORS REPORT: OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

## Responsibility to Heart of Medway Housing Association

**mhs homes** acknowledges its responsibility as Parent of Heart of Medway; an entity regulated by the RSH and subject to the regulatory Framework. An Intra Group Agreement exists between Heart of Medway Housing and **mhs homes** that recognises the duty of the unregistered parent to provide support or assistance to the registered provider to ensure that it fulfils its regulatory requirements. It further ensures that the social housing assets within Heart of Medway cannot be put at risk through the activities of the Parent.

## Trustees' responsibilities for the financial statements

The Trustees, who are also Directors of **mhs homes limited** for the purposes of company law, are responsible for preparing the Strategic Report, the Trustees' Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and the Group for that period.

In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP (FRS 102).
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Trustees are also responsible for safeguarding the assets of the charitable company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are also responsible for the maintenance and integrity of the corporate and financial information included on the Parent Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **How the Board complied with its Section 172 duty**

The Companies Act 2006 (CA2006) sets out a number of duties which directors owe to the company. Under section 172, directors have a duty to promote the success of the company for the benefit of the members as a whole and also should have regard to (amongst other matters) six specified areas below that relate to wider stakeholder interests.

### **1. Likely consequence of any decision in the long-term**

mhs is a long term business that provides homes and security for our customers whilst generating surpluses that allow us to invest, in new social housing. As new social housing developments can be a loss-making activity, we monitor closely the impact of our developments on the long-term financial plan. This is considered by the Board on an annual basis, or more often if the situation demands, and is considered in detail in the section "Future Planning" on page 9.

### **2. Foster business relationships with suppliers, customers and other**

mhs homes works in collaboration with a variety of national, regional and local suppliers, including voluntary and charitable organisations. Our engagement with suppliers promotes fair and open competition, and where appropriate we look to foster long-term relationships. We work closely with the councils and other stakeholders in the areas in which we are based and value highly their support. We engage with our customers in several ways:

- The workings of the Customer Scrutiny Panel are described on page 27.
- We measure how our customers feel about their day-to day interactions with the Group by use of regular surveys.
- We aim to deal with complaints promptly so we can learn as a business and resolve the issue for the customer.

### **3. Maintain a reputation for high standards of business conduct**

As a charity our reputation for high standards is essential to how we work. To ensure we meet the highest standards we have policies on fraud, whistleblowing and anti-bribery in place which are described in more detail on page 33 and 34.

### **4. Act fairly as between members of the company**

The disclosure is relevant to joint ventures and associates, and those companies with multiple classes of shares, minority or dissenting shareholder groups. mhs homes is a company limited by guarantee without share capital and no payment of dividends. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member.

### **5. Interests of employees**

This is considered on page 27.

### **6. Impact of operations on the community and the environment**

See pages 12 and 13 for our impact on the environment and community.

# ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

## Statement of Internal Control

The Board has overall responsibility for establishing and maintaining the whole system of internal control for the organisation and for reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

Whilst **mhs homes** is not a registered provider, our subsidiary, Heart of Medway Housing Association, is registered with the Regulator of Social Housing (RSH). In accordance with the RSH regulatory framework, mhs homes must support and assist Heart of Medway to comply with the regulatory requirements.

The focus on financial controls extends to the commitment of resources for monitoring operations, compliance testing, reputational risk evaluation and a wide range of risk management activities. This has included stress-testing of different scenarios and the creation of an Assets & Liabilities Register. Self-assessments against the Governance and Viability Standard have found that the Heart of Medway is compliant. In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The Group Treasury Committee is responsible for scrutinising treasury activities and recommending policies, strategies and new borrowings to the Boards. The Group Remuneration Committee is responsible for reviewing the pay and conditions of service of the Executives and has oversight of the Chief Executive's annual appraisal.

**The Group** has adopted the National Housing Federations Code of Governance (2020) and is compliant. The process adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some key elements of the controls framework, includes the items listed below:

### Identification and evaluation of key risks

Management responsibility has been clearly defined for identification, evaluation and control of significant risks through the Risk Management Strategy. This puts in place a formal and on-going process of management review for all areas of the Group's activities. The Leadership Team regularly reviews and receives reports on significant risks facing the organisation and the Chief Executive is responsible for reporting to the Group Finance Risk and Audit Committee and the Board any significant changes affecting key risks. The key risks are described on page 17.

### Control environment and control procedures

The Board retains responsibility for a defined range of matters covering strategic, operational, and financial and compliance issues, including treasury strategy and large new investment projects. The Board has adopted and disseminated a code of conduct for employees. This sets out the Group's policies regarding the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection.

# ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

## **Information and financial reporting systems**

The Board approves a long-term financial plan and limits on investment in its various activities on an annual basis that link through to the strategic plan. This is agreed in three-year cycles but is updated and reviewed regularly. Financial reporting procedures include detailed budgets for the year ahead, management accounts produced monthly and forecasts for the remainder of the financial year. These are reviewed in various levels of detail by appropriate colleagues and in summary on a quarterly basis by the Board. The Board also regularly reviews progress towards the achievement of key business objectives, targets and outcomes.

## **Fraud**

The Board has a policy on fraud covering prevention, detection and reporting of fraud and the recovery of assets. A register is maintained of any frauds or potential frauds. The Finance, Risk and Audit Committee reviews the fraud register at each meeting and has taken the results of these reviews into account in its report to the Board.

## **Anti-bribery Policy Statement**

We seek to maintain the highest standards of ethics and integrity in the way we conduct our business. We recognise that bribery and corruption, in all forms, are illegal and unacceptable. Our Anti-bribery Policy Statement has been integrated into our code of conduct and our gifts and hospitality policy, adopted by the Board, and made available on our intranet.

## **Audit assurance**

A summary of all internal reports and the resultant actions are reported to the Finance, Risk and Audit Committee during the year. The Business Assurance Manager has direct access to the Finance, Risk and Audit Committee. An audit plan was agreed by the Committee for 2024/25. All recommendations are followed up by Internal Audit to ensure complete implementation. The internal audit service is co-sourced with the audit contractor, RSM-UK. The Committee met six times during the financial year and considered internal control and risk at each of its meetings.

BDO LLP provides external auditing services. This service was tendered in 2019. The Board receives a letter from the external auditors identifying any internal financial control weaknesses that may have come to their attention in the course of their duties. This letter is considered by the Finance, Risk and Audit Committee and the Board. The Committee met with the internal and external auditors during the year without the presence of any paid employee or executive directors. The Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Committee makes an annual report to the Board, which the Board has received.

## **Other external sources of advice and evaluation**

The Board has at its disposal a wide range of independent external sources of advice to validate control mechanisms, verify performance and report on findings. Quality assurance is assessed through the regular renewal of ISO and Customer Service Excellence standards. The Group's commitment to drive improvement by listening to customers is supported by the use of various methods to measure customer insight and satisfaction which are subject to annual audit. Ad-hoc advice on legal issues is provided by Trowers & Hamlins, who are leading lawyers in the sector. Other expert professionals are engaged from time to time; for example, Savills and Jones Lang LaSalle Limited advise on matters of stock valuation and Centrus Financial Advisors Limited act as advisors on treasury management.

# ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

## Performance indicators

Reports are presented to the Board covering key performance indicators across the activities of the Group. These are subject to a continuous review to reflect current targets and business priorities. Reports cover progress against the annual business plan, budget performance information, treasury management, equal opportunities, employee sickness and absence, colleagues' turnover, housing statistics, health and safety and customer complaints.

The Board of **mhs homes** confirms there were no material failures in its control environment, and an effective control framework has been in place for the 2023/24 year and up until the adoption of these accounts.

## Financial Controls

On behalf of the Board, the Finance, Risk and Audit Committee has reviewed the effectiveness of the system of internal control, which operated across the Group for the year ended 31 March 2024. Recognising the importance of this Committee, the membership includes two independent committee members. The Chair is also a non-executive director on the Group Board. The system of internal financial control includes:

- The operation of formal policies and procedures, including the documentation of key systems and processes recorded in Financial Regulations, Standing Orders and Delegated Arrangements which enables the monitoring of controls and restricts the unauthorised use of assets. Regular reviews take place to ensure that procurement takes place in a manner that complies with Financial Regulations and Delegated Arrangements.
- A proactive approach to fraud based on prevention and detection rather than being reactive to frauds that have taken place. An Anti-Fraud and Corruption Policy is in place, which is reviewed and approved by the Group Board. A fraud risk register is incorporated within the Risk Management Framework and controls are monitored regularly. The organisation has a whistleblowing policy encouraging colleagues to raise issues of malpractice or irregularities which are investigated independently under the Public Interest Disclosure Act. The Group Finance Risk and Audit Committee also receive reports if issues are raised.
- Suitably qualified and experienced colleagues take responsibility for important business functions. Each service receives a Performance Review Board appraisal by the Executive Team every six months to review risk, performance and service delivery.
- Long term financial forecasts, stress testing, budgets and forecasts are prepared and reviewed on a systematic basis, which enables the Board and management to monitor the key business risks, financial performance and track progress against targets. All major new initiatives, commitments and investment projects are subject to formal authorisation procedures, through relevant committees comprising Board members and other suitably experienced and qualified executives.

Approved by the Board of Trustees on 19 July 2024.



Nigel Hopkins  
Chair

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF mhs homes limited

## Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2024 and of the Group's incoming resources and application of resources and the Parent Charitable Company's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of mhs homes limited ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 March 2024 which comprise the Consolidated Statement of Financial Activity, the Consolidated and mhs homes Limited Statements of Comprehensive Income, the Consolidated and mhs homes Limited Statements of Financial Position, the Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remain independent of the Group and the Parent Charitable Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Trustees with respect to going concern are described in the relevant sections of this report.

## Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls and, in doing so, consider whether the other information is materially

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF mhs homes limited

inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

## **Other Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Report of the Board, included in the Trustees' Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the Board, included in the Trustees Report, have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board trustees' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

## **Responsibilities of the Trustees**

As explained more fully in the Trustees' responsibilities statement, set out on page 30, the Board of Trustees is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group and the Parent Charitable Company'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 the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF mhs homes limited

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management; those charged with governance and internal audit; and
- Obtaining and understanding of the Group and Parent Charitable Company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the applicable accounting framework, Companies Act 2006, Charities Act 2011 and UK tax legislation.

The Group and Parent Charitable Company are also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Data Protection and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of internal audit reports;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation.

### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management; those charged with governance and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF mhs homes limited

- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be journal entries, judgements and estimates and the revenue recognition relating to property sales.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, and a random sample of journals, by agreeing to supporting documentation;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Charities Commission and the Regulator of Social Housing;
- Assessing significant estimates made by management for bias; and
- Agreeing a sample of property sales to underlying documentation and confirming the recognition in the correct accounting period.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

*Paul Jagger*

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Paul Jagger (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Guildford

Date: 31 July 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Consolidated Statement of Financial Activity

Consolidated mhs homes group	Revaluation reserve	Unrestricted funds	Restricted funds	Total funds	Total funds
	2024 £'000	2024 £'000	2024 £'000	2024 £'000	2023 £'000
<b>Income from charitable activities</b>					
Social housing lettings	4	61,411	-	61,411	58,793
Supporting People	4	-	286	286	379
Other income	4	367	-	367	371
Sale of fixed assets	12	402	-	402	588
First tranche s/o sales	4	3,445	-	3,445	2,385
<b>Income from non-social housing activities</b>					
Other	4	1,016	-	1,016	936
<b>Income from investment activities</b>					
Market rented Properties	4	4,204	-	4,204	3,849
Investment income	13	208	-	208	95
<b>Total income</b>	<b>-</b>	<b>71,053</b>	<b>286</b>	<b>71,339</b>	<b>67,396</b>
<b>Expenditure on charitable activities</b>					
Social housing lettings	4	41,768	-	41,768	33,667
Supporting people	4	382	286	668	613
Other expenditure	6	615	-	615	1,038
First tranche s/o sales	4	2,679	-	2,679	1,834
<b>Expenditure on non-social housing activities</b>					
Other	4	619	-	619	627
Market rented properties	4	1,468	-	1,468	1,520
<b>Interest costs</b>	<b>14</b>	<b>12,968</b>	<b>-</b>	<b>12,968</b>	<b>11,405</b>
<b>Total expenditure</b>	<b>-</b>	<b>60,499</b>	<b>286</b>	<b>60,785</b>	<b>50,704</b>
<b>Net income</b>	<b>-</b>	<b>10,554</b>	<b>-</b>	<b>10,554</b>	<b>16,692</b>
<b>Gain / (loss) in fair value of: -</b>					
Investments	19	8	-	8	(2)
Investment properties	18	(4,262)	-	(4,262)	(2,192)
<b>Actuarial (loss)/gain</b>					
Defined benefit pension	26	(479)	-	(479)	9,311
<b>Net movement in funds</b>	<b>-</b>	<b>5,821</b>	<b>-</b>	<b>5,821</b>	<b>23,809</b>
Total funds brought forward	210,610	178,361	-	388,971	365,162
Movement in reserves	(9)	9	-	-	-
<b>Total funds carried forward</b>	<b>210,601</b>	<b>184,191</b>	<b>-</b>	<b>394,792</b>	<b>388,971</b>

All activities relate to continuing operations.  
The notes on pages 43 to 74 form part of these financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Statements of Comprehensive Income

Consolidated mhs homes group	Note	Total 2024 £'000	Total 2023 £'000
Turnover	4	<b>70,729</b>	66,713
Cost of sales	4	<b>(2,679)</b>	(1,834)
Operating costs	4	<b>(45,138)</b>	(37,465)
Surplus on disposal of fixed assets	12	<b>402</b>	588
<b>Operating surplus</b>		<b>23,314</b>	28,002
Other interest receivable and similar income	13	<b>208</b>	95
Interest payable and financing costs	14	<b>(12,968)</b>	(11,405)
Movement in fair value of investments	19	<b>8</b>	(2)
Movement in fair value of investment properties	18	<b>(4,262)</b>	(2,192)
<b>Surplus before taxation</b>		<b>6,300</b>	14,498
Taxation on surplus	15	-	-
<b>Surplus for the year</b>		<b>6,300</b>	14,498
<b>Actuarial (loss)/gain on defined benefit pension scheme</b>	26	<b>(479)</b>	9,311
<b>Total comprehensive income for the financial year</b>		<b>5,821</b>	23,809
<b>mhs homes limited</b>			
	Note	Total 2024 £'000	Total 2023 £'000
Turnover	4	<b>62,456</b>	58,019
Cost of sales	4	<b>(2,679)</b>	(1,834)
Operating costs	4	<b>(38,982)</b>	(33,166)
Surplus on disposal of fixed assets	12	<b>239</b>	353
<b>Operating surplus</b>		<b>21,034</b>	23,372
Other interest receivable and similar income	13	<b>599</b>	587
Interest payable and financing costs	14	<b>(11,848)</b>	(10,820)
Movement in fair value of investment properties	18	<b>(4,251)</b>	(2,382)
<b>Surplus before taxation</b>		<b>5,534</b>	10,757
Taxation on surplus	15	-	-
<b>Surplus for the year</b>		<b>5,534</b>	10,757
<b>Actuarial (loss)/gain on defined benefit pension scheme</b>	26	<b>(479)</b>	9,311
<b>Total comprehensive income for the financial year</b>		<b>5,055</b>	20,068

All activities relate to continuing operations.

The notes on pages 43 to 74 form part of these financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Statements of Financial Position

	Note	Group 2024 £'000	Group 2023 £'000	mhs homes 2024 £'000	mhs homes 2023 £'000
<b>Fixed assets</b>					
Tangible fixed asset - housing properties	16	<b>599,568</b>	548,977	<b>448,765</b>	425,889
Tangible fixed assets - other	17	<b>7,259</b>	7,272	<b>1,899</b>	1,766
Investment properties	18	<b>80,790</b>	85,096	<b>74,592</b>	78,887
Investments	19	<b>282</b>	274	-	-
		<b>687,899</b>	641,619	<b>525,256</b>	506,542
<b>Current assets</b>					
Stock and work in progress	20	<b>3,496</b>	2,844	<b>3,496</b>	2,844
Debtors – receivable within one year	21	<b>3,130</b>	3,001	<b>2,597</b>	2,796
Debtors – receivable after one year	21	-	-	<b>14,943</b>	11,297
Short term deposits		<b>2,884</b>	2,151	<b>1,949</b>	1,737
Cash and cash equivalents		<b>4,719</b>	13,703	<b>2,568</b>	6,785
		<b>14,229</b>	21,699	<b>25,553</b>	25,459
<b>Creditors: amounts falling due within one year</b>	22	<b>(17,518)</b>	(14,615)	<b>(16,028)</b>	(13,000)
<b>Net current (liabilities) / assets</b>		<b>(3,289)</b>	7,084	<b>9,525</b>	12,459
<b>Total assets less current liabilities</b>		<b>684,610</b>	648,703	<b>534,781</b>	519,001
<b>Creditors: Amounts falling due after more than one year:</b>	23	<b>(289,284)</b>	(259,205)	<b>(239,926)</b>	(229,735)
<b>Net assets excluding pension</b>		<b>395,326</b>	389,498	<b>294,855</b>	289,266
Defined benefit pension liability	26	-	-	-	-
Provision for liability and charges	27	<b>(534)</b>	(527)	<b>(534)</b>	-
<b>Net assets</b>		<b>394,792</b>	388,971	<b>294,321</b>	289,266
<b>Capital and reserves</b>					
Income and expenditure reserve		<b>184,191</b>	178,361	<b>83,758</b>	78,687
Revaluation reserve		<b>210,601</b>	210,610	<b>210,563</b>	210,579
		<b>394,792</b>	388,971	<b>294,321</b>	289,266

These financial statements were approved and authorised for issue by the Board on 19 July 2024 and were signed on its behalf by:



A Hook  
Chief Executive



L Humphrey  
Company Secretary



N Hopkins  
Chair

The notes on pages 43 to 74 form part of these financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Consolidated Statement of Cashflows

	Note	2024	2023
		£'000	£'000
<b>Cash flows from operating activities</b>			
<b>Surplus for the financial year</b>		<b>6,300</b>	14,498
Adjustments for:			
Depreciation of fixed assets - housing properties	16	<b>6,548</b>	5,796
Loss on disposal of replaced components		<b>460</b>	183
Depreciation of fixed assets – other	17	<b>353</b>	395
Grant received in year		<b>(601)</b>	(2,101)
Impairment of assets	16	<b>742</b>	-
Interest payable and finance costs		<b>12,968</b>	11,405
Increase in provisions		<b>7</b>	527
Cost element of housing property sales in operating surplus	12	<b>1,145</b>	895
Decrease in fair value of investment properties	18	<b>4,262</b>	2,192
(Increase)\Decrease in fair value of investments	19	<b>(8)</b>	2
(Increase)\Decrease in trade and other debtors		<b>(129)</b>	864
Difference between net pension expense and cash		<b>(479)</b>	320
Decrease in stocks		<b>2,813</b>	1,527
Increase in trade and other creditors		<b>2,982</b>	1,471
Increase in interest received		<b>(208)</b>	(95)
<b>Cash from operations</b>		<b>37,155</b>	37,879
<b>Net cash generated from operating activities</b>		<b>37,155</b>	37,879
<b>Cash flows from investing activities</b>			
Purchase of fixed assets – housing properties	16	<b>(53,992)</b>	(14,898)
Purchase of fixed assets – investment properties	18	-	(468)
Purchases of fixed assets – other	17	<b>(340)</b>	(232)
Major repairs capitalised as components	16	<b>(8,533)</b>	(4,131)
Receipt of grant		<b>601</b>	2,101
Interest received	13	<b>208</b>	95
<b>Net cash used in investing activities</b>		<b>(62,056)</b>	(17,533)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(13,350)</b>	(11,787)
New loans	23	<b>30,000</b>	100,000
Repayment of loans	23	-	(128,900)
<b>Net cash received from \ (used in) financing activities</b>		<b>16,650</b>	(40,687)
<b>Net decrease in cash and cash equivalents</b>		<b>(8,251)</b>	(20,341)
Cash and cash equivalents at beginning of year		<b>15,854</b>	36,195
<b>Cash and cash equivalents at end of year</b>		<b>7,603</b>	15,854

The notes on page 43 to 73 form part of these financial statements

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 1 Legal status

mhs homes is a Charitable Company limited by guarantee incorporated in England and a registered charity. The registered office is Broadside, Leviathan Way, Chatham, Kent ME4 4LL. In the event of the charity being wound up the liability in respect of the guarantee is limited to £1 per member. There were nine members at 31 March 2024.

### 2 Accounting Policy

The financial statements have been prepared in accordance with UK accounting standards, including Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Charities: Statement of recommended practice (FRS102).

Due to the majority activities of the group being social housing the Parent and Group have also chosen to include information required under the Statement of Recommended Practice (SOP) for Registered Social Housing Providers 2018, "Accounting by registered social housing providers 2018" and the Accounting Direction for Private Registered Providers of Social Housing 2022 where it is judged that this information will aid the user of the accounts. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying **the Group's** accounting policies. mhs homes is a public benefit entity as defined by FRS 102.

The financial statements are prepared in sterling which is the functional currency of **the Group** and rounded to the nearest thousand.

#### **Parent Charity Company disclosure exemptions**

In preparing the separate financial statements of the Parent Charitable Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the

reconciliations for the group and the Parent Charitable Company would be identical.

- No cash flow statement has been presented for the Parent Charitable Company.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent association as their remuneration is included in the totals for the Group as a whole.

#### **The following principal accounting policies have been applied:**

##### ***Basis of consolidation***

The consolidated financial statements present the results of **mhs homes** limited and its subsidiaries (**mhs commercial services limited, mhs community charity limited, Chatham Maritime K1 Construction Limited, Chatham Maritime K1 Development Limited, Lord Kitchener Memorial Homes Trust and Heart of Medway Housing Association Limited**) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full, mhs homes is required by statute to prepare Group accounts.

##### ***Income***

Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams.

- rental and service charges receivable (after deducting lost rent from void properties);
- first and subsequent tranche sales of shared ownership housing properties
- capital and revenue grants; and
- proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from first tranche sales and other property is recognised at the point of legal completion of the sale. Income from revenue and capital grants is recognised when the conditions of the grant are met.

**Supported housing schemes**

**The Group** receives Supporting People grants from Medway Council. The grants receivable in the period, as well as costs in the provision of support services, have been included in the statement of Comprehensive Income.

**Social Housing Grant**

Where developments have been financed wholly or partly by social housing grant the amount of grant received has been included as income and recognised in turnover when it becomes receivable. Where social housing grant funded property is sold, the grant become recyclable and is transferred to a recycled capital grant fund until reinvested in a replacement property.

**Service charges**

**The Group** operates both the variable and fixed method for calculating and charging service charges to its tenants and leaseholders. Where variable service charges are used expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable with any adjustments made in subsequent years.

**Management of units owned by others**

Management fees receivable and reimbursed expenses are shown as income and included in other income. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

**Taxation**

The charge for taxation is based on surpluses arising from non – charitable group companies for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that an asset or liability is expected to be payable or recoverable in the foreseeable future.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised

in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income. Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

**Value Added Tax**

**The Group** charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by **the Group** and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

**Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**Pension costs**

The Group participates in two schemes.

- Contributions to **the Group's** defined contribution pension scheme are charged to profit or loss in the year which they become payable. Contributions to the Group's defined benefit pension scheme are determined using actuarial valuations so as to spread the cost of pensions over employees' working lives and are based on triennial valuations. Details of the pension costs are disclosed in Note 26.
- The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that **the Group** is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

**Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

**Social housing properties**

Social housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable). The cost of social housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for colleagues' costs and other costs of managing development. Directly attributable costs of acquisition include capitalised interest calculated on a proportional basis. Where housing properties are under construction, finance costs are only capitalised where construction is on-going and has not been

interrupted or terminated. Social housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in properties under construction and held at cost less any impairment, and are transferred to completed properties when ready for letting.

**Deemed cost on transition to FRS 102 for Social housing properties**

On transition to FRS 102 **the Group** took the option of carrying out a one-off valuation exercise of selected items of social housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, **the Group** engaged independent valuation specialist Savills to value social housing properties on a EUV-SH basis. Social housing properties are subsequently measured at cost less depreciation. Any difference between historic cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and income and expenditure reserve.

**Shared ownership properties and staircasing**

Under shared ownership arrangements, **the Group** disposes of a long lease to the occupier; the lease premium paid is for between 25% and 75% of the value. The occupier has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed. A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset and stated at the lower of cost and net realisable value; and that retained by **the Group**, which is recorded as a fixed asset in the same manner as for general needs housing properties. Proceeds of sale for first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown as cost of sales within operating results. Subsequent tranches sold ("staircasing") are reflected in the statement of comprehensive income as a surplus or deficit on sale of housing properties.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### **Allocation of costs for mixed tenure and shared ownership developments**

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

### **Depreciation of social housing property**

Social Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life. The costs of replacement or restoration of these components are capitalised and depreciated over the same average useful economic life. Assets under construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed. The structure and other major components are depreciated over the determined average useful economic life in years as follows:

Description	
Structure – houses	100
Structure – flats	65
Roofs	50
Electrics, External windows & doors	30
Bathroom and new central heating	30
Kitchen & adaptations	20
Boilers	15

### **Tangible fixed assets – other**

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**The Group** adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are

charged to profit or loss during the period in which they are incurred.

### **Depreciation of other tangible fixed assets**

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range in years as follows:

Description	
Freehold premises	50
Fixtures and fittings	1-5
Other offices	50

### **Recycled Capital Grant Fund**

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct **the Group** to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

### **Investment properties**

Investment properties consist of market rented properties and part of the head office rented to other organisations not held for social benefit measured at fair value

Market Rent properties were valued in March 2023 by Jones Lang LaSalle Limited in accordance with the current UK national supplement (the RICS Red Book) published by the Royal Institution of Chartered Surveyors on the basis of Market Value and amended in line with the changes in values as reported by the Land Registry for the local authority area these properties are held for the year to March 2024. The properties are valued every three years with the in-between years adjusted the land registry as this provides reasonable estimate of the value compared to the costs of obtaining this information.



The Head Office was valued in March 2024 by Jones Lang LaSalle Limited in accordance with the current RICS Valuation – Global Standards, incorporating the IVS, and the RICS Valuation – Global Standards – UK National Supplement published by the Royal Institution of Chartered Surveyors. Changes in fair value are recognised in the statement of comprehensive income. Investment properties under construction are carried at cost.

### **Stock**

Stock represents work in progress and completed properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche. Materials are stated at the lower of cost and net realisable value. Cost comprises of materials and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

### **Recoverable amount of rental and other trade receivables**

**The Group** estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

### **Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less.

### **Leasehold sinking funds**

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

### **Leased assets: lessee**

Management have assessed all leases to be operating activities. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

### **Loans and short-term deposits**

All loans and short-term deposits held by **the Group** are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historic cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however **the Group** determined that the difference between the historic cost and amortised cost is not material and so these financial instruments are stated on the balance sheet at historic cost.

### **Concessionary loans**

Concessionary loans are those loans made by **mhs homes** that are made:

- to further its public benefit objectives,
- at a rate of interest which is below the prevailing market rate of interest
- to be repayable on demand.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment.

### **Provisions**

The Group recognises provisions for liabilities of uncertain timing or amounts. Provision is made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle a legal or constructive obligation at the balance sheet date.

### **Reserves**

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund. The revaluation reserve is created from surpluses on asset revaluation. Unrestricted reserves are subject to specific conditions imposed by the donors and are within the objectives of the Charity. The funds are transferred to the unrestricted when the specific requirements of the income are satisfied.

**3 Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Whether leases entered into by the Group, either as a lessor or a lessee, are operating as lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

**Other key sources of estimation uncertainty.**

**Tangible fixed assets (see note 16 and 17)**

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values. These are assessed annually and consider issues such as future market conditions, the remaining life of the asset and projected disposal values. For housing property assets, the asset cost is broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

**Investment Properties (see note 18)**

The Group's market rented investment properties are measured at cost on initial recognition and subsequently carried at fair value determined by external valuers in March 2023 and then uplifted in the current year by reference to the land registry price increases as this provides reasonable estimate of the value compared to the costs of obtaining this information.

The fair value calculation was based on a triangulated methodology of :

1. A 10 year Discounted Cashflow (DCF) adopting the following assumptions:
  - 29% Running costs
  - Rental growth of 3.1 % a year
  - Discount rates of between 6.5% - 7.5% depending upon the property
2. A Cap and Collar Approach to the resulting % of Vacant Possession Value based on the experience of the residential investment market as at the valuation date.
3. Analysis of gross and net yields

**Rental and other trade receivables (debtors) (see note 21)**

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

**Valuation of pension scheme (see note 26)**

The estimates have been informed by an actuary and are presented in note 26. The note sets out the assumptions used by the actuary in determining the assets and liabilities of the pension scheme. The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**4 Particulars of turnover, cost of sales, operating costs and operating surplus**

mhs homes group	Turnover	Cost of sales	Operating costs	Sale of fixed assets	Operating surplus/ (deficit)
	2024	2024	2024	2024	2024
	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (Note 5)</b>	<b>61,411</b>	<b>-</b>	<b>(41,768)</b>	<b>-</b>	<b>19,643</b>
<b>Other social housing activities</b>					
First tranche shared ownership sales	3,445	(2,679)	-	-	766
Development	-	-	(150)	-	(150)
Supporting people	286	-	(668)	-	(382)
Foyers	294	-	(337)	-	(43)
Managed properties	73	-	(128)	-	(55)
<b>Charitable activities</b>	<b>65,509</b>	<b>(2,679)</b>	<b>(43,051)</b>	<b>-</b>	<b>19,779</b>
<b>Non-social housing activities</b>					
Market rented properties	4,204	-	(1,468)	-	2,736
Other income	30	-	-	-	30
Other properties & commercial	986	-	(619)	-	367
<b>Non charitable activities</b>	<b>5,220</b>	<b>-</b>	<b>(2,087)</b>	<b>-</b>	<b>3,133</b>
<b>Surplus on disposal of fixed assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>402</b>	<b>402</b>
	<b>70,729</b>	<b>(2,679)</b>	<b>(45,138)</b>	<b>402</b>	<b>23,314</b>
<b>mhs homes group</b>	<b>Turnover</b>	<b>Cost of sales</b>	<b>Operating costs</b>	<b>Sale of fixed assets</b>	<b>Operating surplus/ (deficit)</b>
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Social housing lettings (Note 5)</b>	<b>58,793</b>	<b>-</b>	<b>(33,667)</b>	<b>-</b>	<b>25,126</b>
<b>Other social housing activities</b>					
First tranche shared ownership sales	2,385	(1,834)	-	-	551
Development	-	-	(599)	-	(599)
Supporting people	379	-	(613)	-	(234)
Foyers	279	-	(350)	-	(71)
Managed properties	66	-	(89)	-	(23)
<b>Charitable activities</b>	<b>61,902</b>	<b>(1,834)</b>	<b>(35,318)</b>	<b>-</b>	<b>24,750</b>
<b>Non-social housing activities</b>					
Market rented properties	3,849	-	(1,520)	-	2,329
Other income	26	-	-	-	26
Other properties & commercial	936	-	(627)	-	309
<b>Non charitable activities</b>	<b>4,811</b>	<b>-</b>	<b>(2,147)</b>	<b>-</b>	<b>2,664</b>
<b>Surplus on disposal of fixed assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>588</b>	<b>588</b>
	<b>66,713</b>	<b>(1,834)</b>	<b>(37,465)</b>	<b>588</b>	<b>28,002</b>

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**4 Particulars of turnover, cost of sales, operating costs and operating surplus (continued)**

<b>mhs homes limited</b>	<b>Turnover</b>	<b>Cost of sales</b>	<b>Operating costs</b>	<b>Sale of fixed assets</b>	<b>Operating surplus/ (deficit)</b>
	<b>2024</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Social housing lettings (Note 5)</b>	<b>54,099</b>	<b>-</b>	<b>(36,351)</b>	<b>-</b>	<b>17,748</b>
<b>Other social housing activities</b>					
First tranche shared ownership sales	<b>3,445</b>	<b>(2,679)</b>	<b>-</b>	<b>-</b>	<b>766</b>
Development	<b>-</b>	<b>-</b>	<b>(150)</b>	<b>-</b>	<b>(150)</b>
Supporting people	<b>94</b>	<b>-</b>	<b>(326)</b>	<b>-</b>	<b>(232)</b>
Managed properties	<b>73</b>	<b>-</b>	<b>(128)</b>	<b>-</b>	<b>(55)</b>
<b>Charitable activities</b>	<b>57,711</b>	<b>(2,679)</b>	<b>(36,955)</b>	<b>-</b>	<b>18,077</b>
<b>Non-social housing activities</b>					
Market rented properties	<b>3,932</b>	<b>-</b>	<b>(1,408)</b>	<b>-</b>	<b>2,524</b>
Other income	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>
Other properties & commercial	<b>783</b>	<b>-</b>	<b>(619)</b>	<b>-</b>	<b>164</b>
<b>Non charitable activities</b>	<b>4,745</b>	<b>-</b>	<b>(2,027)</b>	<b>-</b>	<b>2,718</b>
<b>Surplus on disposal of fixed assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239</b>	<b>239</b>
	<b>62,456</b>	<b>(2,679)</b>	<b>(38,982)</b>	<b>239</b>	<b>21,034</b>

<b>mhs homes limited</b>	<b>Turnover</b>	<b>Cost of Sales</b>	<b>Operating costs</b>	<b>Sale of fixed assets</b>	<b>Operating surplus/ (deficit)</b>
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Social housing lettings (Note 5)</b>	<b>50,959</b>	<b>-</b>	<b>(30,109)</b>	<b>-</b>	<b>20,850</b>
<b>Other social housing activities</b>					
First tranche shared ownership sales	<b>2,385</b>	<b>(1,834)</b>	<b>-</b>	<b>-</b>	<b>551</b>
Development	<b>-</b>	<b>-</b>	<b>(599)</b>	<b>-</b>	<b>(599)</b>
Supporting people	<b>188</b>	<b>-</b>	<b>(337)</b>	<b>-</b>	<b>(149)</b>
Managed properties	<b>66</b>	<b>-</b>	<b>(89)</b>	<b>-</b>	<b>(23)</b>
<b>Charitable activities</b>	<b>53,598</b>	<b>(1,834)</b>	<b>(31,134)</b>	<b>-</b>	<b>20,630</b>
<b>Non-social housing activities</b>					
Market rented properties	<b>3,665</b>	<b>-</b>	<b>(1,405)</b>	<b>-</b>	<b>2,260</b>
Other income	<b>26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26</b>
Other properties and commercial	<b>730</b>	<b>-</b>	<b>(627)</b>	<b>-</b>	<b>103</b>
<b>Non charitable activities</b>	<b>4,421</b>	<b>-</b>	<b>(2,032)</b>	<b>-</b>	<b>2,389</b>
<b>Surplus on disposal of fixed assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>353</b>
	<b>58,019</b>	<b>(1,834)</b>	<b>(33,166)</b>	<b>353</b>	<b>23,372</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 5 Income and expenditure from social housing lettings

mhs homes group	Affordable rent £'000	General needs £'000	Supported housing £'000	Shared ownership £'000	Total 2024 £'000	Total 2023 £'000
<b>Income</b>						
Rents net of identifiable service charges	6,374	46,869	3,078	2,572	58,893	55,248
Service charge income	461	468	327	373	1,629	1,320
Amortised government grant	799	-	-	-	799	2,102
Other income	-	73	5	12	90	123
<b>Turnover from social housing lettings</b>	<b>7,634</b>	<b>47,410</b>	<b>3,410</b>	<b>2,957</b>	<b>61,411</b>	58,793
<b>Expenditure</b>						
Management	(637)	(6,275)	(864)	(285)	(8,061)	(6,450)
Service charge costs	(469)	(2,875)	(707)	(258)	(4,309)	(3,448)
Routine maintenance	(704)	(7,679)	(316)	(29)	(8,728)	(7,342)
Planned maintenance	(402)	(6,272)	(544)	(22)	(7,240)	(6,137)
Major repairs	(1,056)	(3,632)	(454)	(23)	(5,165)	(3,999)
Bad debts	(52)	(419)	(23)	(21)	(515)	(252)
Depreciation of housing properties:						
- annual charge	(1,340)	(4,275)	(362)	(571)	(6,548)	(5,796)
- impairment	-	-	(742)	-	(742)	-
- accelerated on disposal of components	(108)	(352)	-	-	(460)	(243)
<b>Operating expenditure on social housing lettings</b>	<b>(4,768)</b>	<b>(31,779)</b>	<b>(4,012)</b>	<b>(1,209)</b>	<b>(41,768)</b>	(33,667)
<b>Operating surplus on social housing lettings</b>	<b>2,866</b>	<b>15,631</b>	<b>(602)</b>	<b>1,748</b>	<b>19,643</b>	25,126
Void losses	(23)	(501)	(57)	-	(581)	(430)

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**5 Income and expenditure from social housing lettings**

<b>mhs homes limited</b>	<b>Affordable rent £'000</b>	<b>General needs £'000</b>	<b>Supported housing £'000</b>	<b>Shared ownership £'000</b>	<b>Total 2024 £'000</b>	<b>Total 2023 £'000</b>
<b>Income</b>						
Rents net of identifiable service charges	2,790	45,882	2,692	1,587	52,951	49,914
Service charge income	201	384	304	182	1,071	831
Amortised government grant	-	-	-	-	-	106
Other income	-	73	4	-	77	108
<b>Turnover from social housing lettings</b>	<b>2,991</b>	<b>46,339</b>	<b>3,000</b>	<b>1,769</b>	<b>54,099</b>	50,959
<b>Expenditure</b>						
Management	(296)	(6,543)	(823)	(194)	(7,856)	(6,577)
Service charge costs	(115)	(2,780)	(684)	(67)	(3,646)	(3,042)
Routine maintenance	(346)	(7,623)	(310)	(17)	(8,296)	(7,097)
Planned maintenance	(287)	(6,207)	(524)	(22)	(7,040)	(5,936)
Major repairs	(148)	(3,503)	(374)	(22)	(4,047)	(2,672)
Bad debts	(12)	(374)	(19)	(18)	(423)	(207)
Depreciation of housing properties:						
- annual charge	(180)	(3,908)	(214)	(373)	(4,675)	(4,361)
- impairment	-	-	-	-	-	-
- accelerated on disposal of components	(16)	(352)	-	-	(368)	(217)
<b>Operating expenditure on social housing lettings</b>	<b>(1,400)</b>	<b>(31,290)</b>	<b>(2,948)</b>	<b>(713)</b>	<b>(36,351)</b>	(30,109)
<b>Operating surplus on social housing lettings</b>	<b>1,591</b>	<b>15,049</b>	<b>52</b>	<b>1,056</b>	<b>17,748</b>	20,850
Void losses	(9)	(486)	(55)	-	(550)	(405)

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**6 Expenditure on charitable activities**

mhs homes group	Depreciation and amortisation		Direct activities		Support and governance costs		Total	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
General needs	<b>(6,076)</b>	(5,216)	<b>(22,704)</b>	(16,733)	<b>(7,767)</b>	(6,464)	<b>(36,547)</b>	(28,413)
Supported housing	<b>(1,103)</b>	(393)	<b>(2,370)</b>	(2,663)	<b>(539)</b>	(468)	<b>(4,012)</b>	(3,524)
Shared ownership	<b>(571)</b>	(430)	<b>(255)</b>	(978)	<b>(383)</b>	(322)	<b>(1,209)</b>	(1,730)
<b>Social housing lettings</b>	<b>(7,750)</b>	(6,039)	<b>(25,329)</b>	(20,374)	<b>(8,689)</b>	(7,254)	<b>(41,768)</b>	(33,667)
Supporting People	-	-	<b>(668)</b>	(613)	-	-	<b>(668)</b>	(613)
Other expenditure	-	-	<b>(615)</b>	(1,038)	-	-	<b>(615)</b>	(1,038)
<b>Total charitable expenditure included in operating costs</b>	<b>(7,750)</b>	(6,039)	<b>(26,612)</b>	(22,025)	<b>(8,689)</b>	(7,254)	<b>(43,051)</b>	(35,318)
First Tranche shared ownership sales	-	-	<b>(2,679)</b>	(1,834)	-	-	<b>(2,679)</b>	(1,834)
<b>Total</b>	<b>(7,750)</b>	(6,039)	<b>(29,291)</b>	(23,859)	<b>(8,689)</b>	(7,254)	<b>(45,730)</b>	(37,152)

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**6 Expenditure on charitable activities (continued)**

mhs homes limited	Depreciation and amortisation		Direct activities		Support and governance costs		Total	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
General needs	<b>(4,457)</b>	(4,053)	<b>(20,538)</b>	(15,500)	<b>(7,693)</b>	(6,680)	<b>(32,688)</b>	(26,233)
Supported housing	<b>(214)</b>	(247)	<b>(2,197)</b>	(2,508)	<b>(539)</b>	(468)	<b>(2,950)</b>	(3,223)
Shared ownership	<b>(373)</b>	(278)	<b>(48)</b>	(108)	<b>(292)</b>	(267)	<b>(713)</b>	(653)
<b>Social housing lettings</b>	<b>(5,044)</b>	(4,578)	<b>(22,783)</b>	(18,116)	<b>(8,524)</b>	(7,415)	<b>(36,351)</b>	(30,109)
Supporting people	-	-	<b>(326)</b>	(337)	-	-	<b>(326)</b>	(337)
Other expenditure	-	-	<b>(278)</b>	(688)	-	-	<b>(278)</b>	(688)
<b>Total charitable expenditure included in operating costs</b>	<b>(5,044)</b>	(4,578)	<b>(23,387)</b>	(19,141)	<b>(8,524)</b>	(7,415)	<b>(36,955)</b>	(31,134)
First tranche shared ownership sales	-	-	<b>(2,679)</b>	(1,834)	-	-	<b>(2,679)</b>	(1,834)
<b>Total</b>	<b>(5,044)</b>	(4,578)	<b>(26,066)</b>	(20,975)	<b>(8,524)</b>	(7,415)	<b>(39,634)</b>	(32,968)



**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**7 Units of housing stock**

	As at 1 April 2023	Purchased from registered provider	Additions	Disposals	Transfers	As at 31 March 2024
<b>Social Housing</b>						
<b>mhs homes</b>						
General needs housing	6,724	-	3	-	1	6,728
Sheltered schemes	471	-	-	-	-	471
Shared ownership	278	-	67	(6)	1	340
Intermediate rent	1	-	-	-	(1)	-
Social leaseholders	475	-	-	4	-	479
Foyers *	36	-	-	-	-	36
<b>Heart of Medway</b>						
General needs housing	598	121	24	-	-	743
Sheltered schemes	54	-	-	-	-	54
Shared ownership	237	38	-	(4)	-	271
Intermediate rent	-	24	-	-	-	24
Social leaseholders	21	53	-	4	-	78
<b>Lord Kitchener</b>						
General needs housing	6	-	-	-	-	6
<b>Total</b>	<b>8,901</b>	<b>236</b>	<b>94</b>	<b>(2)</b>	<b>1</b>	<b>9,230</b>
<b>Non – social housing</b>						
<b>mhs homes</b>						
Managed freeholders	178	-	-	2	-	180
Market rent	363	-	-	-	(1)	362
Commercial lettings	45	-	-	-	-	45
<b>Heart of Medway</b>						
Market rent	17	-	-	-	-	17
Managed freeholders	5	13	-	-	-	18
<b>Total</b>	<b>608</b>	<b>13</b>	<b>-</b>	<b>2</b>	<b>(1)</b>	<b>622</b>
<b>Total owned</b>	<b>9,509</b>	<b>249</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>9,852</b>
<b>Accommodation Managed</b>						
for others	84	-	-	-	-	84
by others	19	6	-	-	-	25
<b>Total owned or managed</b>	<b>9,612</b>	<b>255</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>9,961</b>
<b>Garages</b>	<b>1,404</b>	<b>-</b>	<b>-</b>	<b>(94)</b>	<b>-</b>	<b>1,310</b>

\* Properties leased to Heart of Medway between 3 and 16 years

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**7 Units of housing stock (continued)**

	<b>Group</b>	<b>Group</b>	<b>mhs</b>	<b>mhs</b>
	<b>2024</b>	<b>2023</b>	<b>homes</b>	<b>homes</b>
			<b>2024</b>	<b>2023</b>
<b>Units under construction:</b>				
Houses	<b>18</b>	43	<b>18</b>	43
Sheltered	<b>74</b>	76	<b>30</b>	30
Flats	<b>114</b>	158	<b>92</b>	122
<b>Units under development:</b>				
Houses	-	-	-	-
Sheltered	<b>46</b>	44	-	-
Flats	-	-	-	-
	<b>252</b>	321	<b>140</b>	195

**8 Operating Surplus**

	<b>Group</b>	<b>Group</b>	<b>mhs</b>	<b>mhs</b>
	<b>2024</b>	<b>2023</b>	<b>homes</b>	<b>homes</b>
	<b>£'000</b>	<b>£'000</b>	<b>2024</b>	<b>2023</b>
			<b>£'000</b>	<b>£'000</b>
This is arrived at after charging:				
Depreciation of housing properties: annual charge	<b>6,548</b>	5,796	<b>4,675</b>	4,361
Depreciation of other fixed assets: annual charge	<b>353</b>	395	<b>206</b>	248
Accelerated depreciation on replaced components	<b>460</b>	243	<b>368</b>	217
Operating leases	<b>1,000</b>	914	<b>1,000</b>	914
Auditors' remuneration (excluding VAT):				
- fees payable to the group's auditor for the audit of the group's annual accounts	<b>58</b>	45	<b>58</b>	45
- fees for audit of accounts of subsidiary entities	<b>47</b>	36	-	-
- fees for other audit services	<b>6</b>	4	<b>6</b>	4

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 9 Employees

	Group 2024	Group 2023	mhs homes 2024	mhs homes 2023
<b>Number of employees</b>	<b>268</b>	266	<b>268</b>	266
	£'000	£'000	£'000	£'000
Wages and salaries	<b>12,685</b>	11,324	<b>12,685</b>	11,324
Social security costs	<b>1,172</b>	1,076	<b>1,172</b>	1,076
Cost of defined contribution scheme	<b>448</b>	376	<b>448</b>	376
Cost of defined benefit scheme (see note 26)	<b>258</b>	254	<b>258</b>	254
	<b>14,563</b>	13,030	<b>14,563</b>	13,030

The average number of employees (including Executive Management Team) expressed as full-time equivalents (calculated based on a standard working week of 37 hours) during the year was 268 (2023: 266).

A defined benefit (closed to new members) and a defined contribution pension scheme is operated by **the Group** on behalf of the employees. The assets of the scheme are held separately from those of **the Group** in an independently administered fund. Full details are contained in note 26.

### 10 Trustee remuneration

The trustees are defined as Directors under company law and are defined as the members of the Board of Management as disclosed on page 22.

Trustee	Remuneration £'000	Remuneration Committee	Treasury Committee	Group Finance, Risk and Audit Committee
N Hopkins	25	✓	✓	
R Kennedy	13	✓		
R Christopher	14	✓	✓	
I Cain	10	✓		
J Carr	14			✓
L Heffernan	10			
M Miles Lea	10			
M Mulligan	7			

The articles of association contain the clause "members may receive such reasonable and proper remuneration as the Boards members may from time to time decide having taken advice from an independent remuneration committee": Expenses paid in 2024 were £1,977 (2023: £993).

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 11 Senior executive remuneration

	Group 2024 £'000	Group 2023 £'000
Key Management personnel emoluments	726	484
Amounts paid to non-executive	91	80
	<b>817</b>	564

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments, was £191,346 (2023: £186,316). Pension contributions of £46,992 (2023: £45,335) were made to Kent County Council Pension Fund on his behalf. As a member of the Kent County Council Pension Fund, the pension entitlement of the Chief Executive is identical to those of other members. There were three Executive Directors (2023: three) in **the Group's** defined contribution pension scheme. Contributions were paid into the scheme on their behalf of £20,845 (2023: £17,996). The remuneration paid to staff (including Leadership Team) earning over £60,000 upwards:

	Group 2024 No.	Group 2023 No.
£60,000 - £69,999	8	5
£70,000 - £79,999	5	-
£80,000 - £89,999	-	2
£90,000 - £99,999	3	-
£120,000 - £129,999	-	2
£130,000 - £139,999	2	-
£140,000 - £149,999	-	1
£150,000 - £159,999	1	-
£180,000 - £189,999	1	-
£210,000 - £219,999	-	1

### 12 Surplus on disposal of fixed assets

GROUP	Staircasing 2024 £'000	Total 2024 £'000	Total 2023 £'000
	Disposal proceeds	1,687	1,687
Cost of disposals	(1,145)	(1,145)	(895)
Grant repayment	(135)	(135)	(218)
Legal and other fees	(5)	(5)	(5)
	<b>402</b>	<b>402</b>	588
<b>mhs homes</b>	<b>2024 £'000</b>	<b>2024 £'000</b>	<b>2023 £'000</b>
Disposal proceeds	1,298	1,298	1,246
Cost of disposals	(920)	(920)	(670)
Grant repayment	(135)	(135)	(218)
Legal and other fees	(4)	(4)	(5)
	<b>239</b>	<b>239</b>	353

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**13 Interest receivable and income from investments**

	Group	Group	mhs homes	mhs homes
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Interest receivable from group undertakings	-	-	394	497
Interest receivable and similar income	208	95	205	90
	<b>208</b>	95	<b>599</b>	587

**14 Interest payable and similar charges**

	Group	Group	mhs homes	mhs homes
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	12,719	11,474	11,478	10,706
Other fees	825	1,080	839	1,064
Breakage Gains	-	(1,173)	-	(1,173)
	<b>13,544</b>	11,381	<b>12,317</b>	10,597
Amortisation of issue costs	246	177	221	156
	<b>13,790</b>	11,558	<b>12,538</b>	10,753
Net interest on defined pension liability (note 26)	(431)	229	(431)	229
Interest capitalised on construction of properties	(391)	(382)	(259)	(162)
	<b>12,968</b>	11,405	<b>11,848</b>	10,820

**15 Taxation on surplus on ordinary activities**

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

	Group	Group	mhs homes	mhs homes
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before tax	6,300	14,498	5,534	10,757
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 25% (2023 - 19%)	1,575	2,755	1,384	2,043
Effects of:				
Net income subject to charitable exemptions	(1,777)	(2,167)	(1,384)	(2,043)
Adjustments in respect of prior years- deferred tax	202	(588)	-	-
Total tax charge for period	-	-	-	-

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a nil charge (2023: nil charge).

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**16 Tangible fixed assets - housing properties**

mhs homes group	Completed		Under Construction		Total
	General needs*	Shared ownership	General needs*	Shared ownership	
Cost or valuation:	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2023</b>	<b>542,248</b>	<b>54,401</b>	<b>15,447</b>	<b>6,237</b>	<b>618,333</b>
Additions - construction costs	81	-	20,763	7,887	28,731
Additions - works to existing properties	8,449	-	-	-	8,449
Completed schemes	6,193	11,685	(6,193)	(11,685)	-
Tenure change	49	-	-	-	49
Transfer to current assets	-	163	-	-	163
Staircasing disposals	-	(1,197)	-	-	(1,197)
Homes purchased from a registered provider	16,981	5,029	-	-	22,010
Disposal of replaced components	(1,186)	-	-	-	(1,186)
<b>At 31 March 2024</b>	<b>572,815</b>	<b>70,081</b>	<b>30,017</b>	<b>2,439</b>	<b>675,352</b>
<b>Depreciation:</b>					
<b>At 1 April 2023</b>	<b>64,740</b>	<b>2,375</b>	-	-	<b>67,115</b>
Charge for the year	5,977	571	-	-	6,548
Eliminated on staircasing disposals	-	(52)	-	-	(52)
Eliminated on transfer to current assets	-	(5)	-	-	(5)
Disposal of replaced components	(805)	-	-	-	(805)
<b>At 31 March 2024</b>	<b>69,912</b>	<b>2,889</b>	-	-	<b>72,801</b>
<b>Impairment:</b>					
<b>At 1 April 2023</b>	<b>2,008</b>	<b>233</b>	-	-	<b>2,241</b>
Charge for the year	-	-	742	-	742
<b>At 31 March 2024</b>	<b>2,008</b>	<b>233</b>	<b>742</b>	-	<b>2,983</b>
<b>Net book value at 31 March 2024</b>	<b>500,895</b>	<b>66,959</b>	<b>29,275</b>	<b>2,439</b>	<b>599,568</b>
Net book value at 31 March 2023	475,500	51,793	15,447	6,237	548,977

\* General needs include Affordable and Supported Housing

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**16 Tangible fixed assets - housing properties (continued)**

mhs homes limited	Completed		Under Construction		Total
	General needs*	Shared ownership	General needs*	Shared ownership	
Cost or valuation:	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2023</b>	<b>440,823</b>	<b>35,064</b>	<b>2,508</b>	<b>6,238</b>	<b>484,633</b>
Additions - construction costs	81	-	12,668	7,887	20,636
Additions - works to existing properties	7,908	-	-	-	7,908
Completed schemes	686	11,685	(686)	(11,685)	-
Tenure change	49	-	-	-	49
Transfer to current assets	-	163	-	-	163
Staircasing disposals	-	(957)	-	-	(957)
Disposal of replaced components	(1,018)	-	-	-	(1,018)
<b>At 31 March 2024</b>	<b>448,529</b>	<b>45,955</b>	<b>14,490</b>	<b>2,440</b>	<b>511,414</b>
<b>Depreciation:</b>					
<b>At 1 April 2023</b>	<b>56,074</b>	<b>1,129</b>	-	-	<b>57,203</b>
Charge for the year	4,302	373	-	-	4,675
Eliminated on staircasing	-	(36)	-	-	(36)
Eliminated on transfer to current asset	-	(5)	-	-	(5)
Disposal of replaced components	(729)	-	-	-	(729)
<b>At 31 March 2024</b>	<b>59,647</b>	<b>1,461</b>	-	-	<b>61,108</b>
<b>Impairment:</b>					
<b>At 1 April 2023</b>	<b>1,541</b>	-	-	-	<b>1,541</b>
Charge for the year	-	-	-	-	-
<b>At 31 March 2024</b>	<b>1,541</b>	-	-	-	<b>1,541</b>
<b>Net book value at 31 March 2024</b>	<b>387,341</b>	<b>44,494</b>	<b>14,490</b>	<b>2,440</b>	<b>448,765</b>
Net book value at 31 March 2023	383,208	33,935	2,508	6,238	425,889

\* General needs include Affordable and Supported Housing

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 16 Tangible fixed assets - Housing properties (continued)

#### Impairment

The Group considers schemes to represent separate cash generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2018.

#### Valuation

On transition to FRS 102 the Group took the option of conducting a one-off valuation exercise of selected items of social housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group engaged independent valuation specialist Savills to value social housing properties at the price at which a property can be sold on the open market assuming that it can only be used for the existing use, for the foreseeable future (EUV-SH) basis. Social Housing properties are subsequently measured at cost less depreciation. Any difference between historic cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and income and expenditure reserve. The estimated value in use of the social housing stock is estimated as below.

	Group 2024 £'million	Group 2023 £'million	mhs homes 2024 £'million	mhs homes 2023 £'million
Estimated total EUV – SH	750	701	624	617
Estimated EUV- SH value of properties charged	612	524	537	503

The net book value of housing properties may be further analysed as:

	Group 2024 £'000	Group 2023 £'000	mhs homes 2024 £'000	mhs homes 2023 £'000
Freehold	596,956	546,322	447,740	424,848
Long leasehold	2,612	2,655	1,025	1,041
	<b>599,568</b>	548,977	<b>448,765</b>	425,889

#### Interest capitalisation

Interest capitalised in the year	391	383	259	162
Cumulative interest capitalised	5,200	4,809	2,742	2,483

#### Works to existing properties

Expenditure capitalised	8,449	4,131	7,908	4,068
Expenditure to income and expenditure account	5,103	3,999	3,985	2,672
	<b>13,552</b>	8,130	<b>11,893</b>	6,740



**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**17 Other tangible fixed assets**

<b>mhs homes group</b>	<b>Other offices £'000</b>	<b>Freehold premises £'000</b>	<b>Fixtures &amp; fittings £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
<b>At 1 April 2023</b>	<b>7,982</b>	<b>2,120</b>	<b>6,998</b>	<b>17,100</b>
Additions	-	-	340	340
<b>At 31 March 2024</b>	<b>7,982</b>	<b>2,120</b>	<b>7,338</b>	<b>17,440</b>
<b>Depreciation</b>				
<b>At 1 April 2023</b>	<b>2,476</b>	<b>708</b>	<b>6,644</b>	<b>9,828</b>
Charge for year	148	27	178	353
<b>At 31 March 2024</b>	<b>2,624</b>	<b>735</b>	<b>6,822</b>	<b>10,181</b>
<b>Net book value</b>				
<b>At 31 March 2024</b>	<b>5,358</b>	<b>1,385</b>	<b>516</b>	<b>7,259</b>
At 31 March 2023	<b>5,506</b>	<b>1,412</b>	<b>354</b>	<b>7,272</b>
<b>mhs homes limited</b>		<b>Freehold premises £'000</b>	<b>Fixtures &amp; fittings £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
<b>At 1 April 2023</b>		<b>2,120</b>	<b>6,998</b>	<b>9,118</b>
Additions		-	339	339
<b>At 31 March 2024</b>		<b>2,120</b>	<b>7,337</b>	<b>9,457</b>
<b>Depreciation</b>				
<b>At 1 April 2023</b>		<b>708</b>	<b>6,644</b>	<b>7,352</b>
Charge for year		27	179	206
<b>At 31 March 2024</b>		<b>735</b>	<b>6,823</b>	<b>7,558</b>
<b>Net book value</b>				
<b>At 31 March 2024</b>		<b>1,385</b>	<b>514</b>	<b>1,899</b>
At 31 March 2023		<b>1,412</b>	<b>354</b>	<b>1,766</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 18 Investment Properties

	Head Office Buildings	Market Rent completed	Market Rent under construction	Total
<b>mhs homes group</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2023</b>	<b>2,554</b>	<b>82,542</b>	-	<b>85,096</b>
Tenure change	-	(49)	-	(49)
Works to existing properties	-	84	-	84
Disposal of replaced components	-	(79)	-	(79)
Completed schemes	-	-	-	-
Fair value adjustment	-	(4,262)	-	(4,262)
<b>At 31 March 2024</b>	<b>2,554</b>	<b>78,236</b>	-	<b>80,790</b>
<b>mhs homes limited</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2023</b>		<b>78,887</b>	-	<b>78,887</b>
Tenure change		(49)	-	(49)
Works to existing properties		84	-	84
Disposal of replaced components		(79)	-	(79)
Completed schemes		-	-	-
Fair value adjustment		(4,251)	-	(4,251)
<b>At 31 March 2024</b>		<b>74,592</b>	-	<b>74,592</b>

**The Group's** market rented investment properties are measured at cost on initial recognition, then remeasured to fair value at each balance sheet date. Changes in fair value are recognised in the statement of comprehensive income. The loss on revaluation of investment property arising of £4,262m (2023 – a loss of £2.192m) has been debited to the Statement of Comprehensive Income for the year. Further details on the valuation methodology is provided in the accounting policy.

Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	Group 2024 £'000	Group 2023 £'000	mhs homes 2024 £'000	mhs homes 2023 £'000
Historic cost	<b>54,031</b>	54,075	<b>50,624</b>	50,668
Accumulated depreciation	<b>(7,416)</b>	(6,599)	<b>(6,846)</b>	(6,259)
	<b>46,615</b>	47,476	<b>43,778</b>	44,409

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 19 Fixed asset investments

mhs homes group	Investments £'000	Listed Investments £'000	Other Investments £'000	Total £'000
<b>At 1 April 2023</b>	<b>185</b>	<b>84</b>	<b>5</b>	<b>274</b>
Revaluation	-	8	-	8
<b>At 31 March 2024</b>	<b>185</b>	<b>92</b>	<b>5</b>	<b>282</b>

mhs homes limited	Total 2024 £	Total 2023 £
Heart of Medway Housing Association Limited	1	1
mhs Commercial Services Limited	1,500,000	1,500,000
Chatham Maritime K1 Developments Limited	1	1
Chatham Maritime K1 Construction Limited	1	1
Provision against mhs Commercial Services Limited	(1,500,000)	(1,500,000)
	<b>3</b>	<b>3</b>

### *Details of subsidiary undertakings, associated undertakings and other investments*

The group comprises of the following entities all incorporated in England.

Subsidiary undertaking	Nature of business	Registered Number Company	charity\ society
<b>Nature of Entities: Company</b>			
<b>Proportion of ordinary share capital 100%</b>			
Chatham Maritime K1 Developments Limited	Ownership of Head Office	03254705	-
Chatham Maritime K1 Construction Limited	Development Activity	03254689	-
mhs Commercial Services Limited	Not Active	02751669	-
<b>Nature of Entity: Community Benefit Society</b>			
<b>Proportion of voting rights 14%</b>			
Heart of Medway Housing Association Limited <sup>1</sup>	Social Housing	-	31076R
<b>Nature of Entity: Charity</b>			
mhs Community Charity Limited <sup>2</sup>	Not Active	03714658	1080067
<b>Nature of Entity: Trust</b>			
Lord Kitchener Memorial Homes Trust <sup>3</sup>	Social Housing	-	209751

<sup>1</sup> mhs homes controls Heart of Medway through an inter group agreement.

<sup>2</sup> mhs community charity is a company limited by guarantee with mhs homes defined as the parent charitable company.

<sup>3</sup> Lord Kitchener is administered by mhs homes who are appointed as corporate trustee.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**20 Stock and Work in Progress**

	<b>Group</b>	<b>Group</b>	<b>mhs homes</b>	<b>mhs homes</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Materials	32	26	32	26
Shared ownership : completed properties	2,551	-	2,551	-
Shared ownership : under construction	913	2,818	913	2,818
	<b>3,496</b>	2,844	<b>3,496</b>	2,844

**21 Debtors**

	<b>Group</b>	<b>Group</b>	<b>mhs homes</b>	<b>mhs homes</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>				
Rent and service charge arrears	3,525	3,091	2,994	2,721
Less: provision for doubtful debts	(1,417)	(961)	(1,140)	(821)
	<b>2,108</b>	2,130	<b>1,854</b>	1,900
Prepayments	707	750	707	750
Taxes and social security	-	-	-	-
Other debtors	314	119	35	144
Loans to employees	1	2	1	2
	<b>3,130</b>	3,001	<b>2,597</b>	2,796
<b>Due after one year</b>				
Loan to Heart of Medway Housing Association Limited			4,134	140
Loan to Chatham Maritime K1 Development Limited			10,809	11,157
			<b>14,943</b>	11,297

mhs homes has provided the intercompany loan to Heart of Medway Housing Association Limited that stands at £4.1 million (2023 : £0.51 million). The loan is provided to further its public benefit objectives, at nil rate, unsecured and is repayable by 2038 and is therefore treated as a concessionary loan.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**22 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>Group</b>	<b>mhs</b>	<b>mhs</b>
	<b>2024</b>	<b>2023</b>	<b>homes</b>	<b>homes</b>
	<b>£'000</b>	<b>£'000</b>	<b>2024</b>	<b>2023</b>
			<b>£'000</b>	<b>£'000</b>
Trade creditors	706	1,561	697	1,477
Rent in advance	1,318	1,421	1,194	1,275
Taxation and social security	5	23	56	40
Other creditors	544	541	537	526
Amounts due to subsidiaries	-	-	3,766	582
Accruals	8,416	5,659	4,465	4,277
Loan interest and fees due	3,645	3,259	3,364	3,086
Sinking fund balances	2,884	2,151	1,949	1,737
	<b>17,518</b>	14,615	<b>16,028</b>	13,000

**23 Creditors: amounts falling due after more than one year**

	<b>Group</b>	<b>Group</b>	<b>mhs</b>	<b>mhs</b>
	<b>2024</b>	<b>2023</b>	<b>homes</b>	<b>homes</b>
	<b>£'000</b>	<b>£'000</b>	<b>2024</b>	<b>2023</b>
			<b>£000</b>	<b>£'000</b>
Loans (Note 24)	292,250	262,250	242,250	232,250
Less repayable within one year	-	-	-	-
Less issue costs	(2,966)	(3,045)	(2,324)	(2,515)
Loans and borrowings	<b>289,284</b>	259,205	<b>239,926</b>	229,735

**24 Loans and borrowings: Maturity of Debt**

	<b>Group</b>	<b>Group</b>	<b>mhs</b>	<b>mhs</b>
	<b>2024</b>	<b>2023</b>	<b>homes</b>	<b>homes</b>
	<b>£'000</b>	<b>£'000</b>	<b>2024</b>	<b>2023</b>
			<b>£'000</b>	<b>£'000</b>
Less than one year	-	-	-	-
Between two and five years	10,000	-	10,000	-
In five years or more	282,250	262,250	232,250	232,250
Loans and borrowings	<b>292,250</b>	262,250	<b>242,250</b>	232,250

Liquidity is strong with £120 million of undrawn revolving credit facilities in place, along with £17m of longer dated term debt.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 24 Loans and borrowings: Maturity of Debt (continued)

The debt is comprised of £32.25 million of bank debt with mhs homes, due for repayment between 2030 and 2042 along with the private placements noted below.

Entity	Private placement	Repayment terms	Interest rate
mhs homes	£40 million	Amortising from 2030 to 2056	2.36%
	£30 million	Bullet repayment 2044	5.50%
	£50 million	Amortising between 2049 and 2058	6.19%
	£40 million	Bullet repayment 2051	3.92%
	£40 million	Bullet repayment 2054	3.53%
Heart of Medway	£10 million	Bullet repayment 2038	3.68%
	£20 million	Bullet repayment 2055	2.67%
	£20 million	Bullet repayment 2044	6.01%

Interest rates are fixed for more than one year on 88% of the debt in mhs homes and 100% in Heart of Medway.

### 25 Financial instruments

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cashflow and interest rate risk is included in Strategic review. The carrying values of **the Group** and Association's financial assets and liabilities measured at fair value through profit or loss are summarised by category below:

	Group 2024 £'000	Group 2023 £'000	mhs homes 2024 £'000	mhs homes 2023 £'000
Financial assets measured at fair value: Investments	282	274	-	-
<b>Total financial assets</b>	<b>282</b>	<b>274</b>	<b>-</b>	<b>-</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 26 Pensions

#### Defined benefit pension scheme

mhs homes limited is a community admission body in the Kent County Council Local Government Superannuation Scheme. It provides benefits based on final pensionable pay with contributions being charged to the income and expenditure account so as to spread the cost of pensions over employees working lives with mhs homes limited. The employer contributions are determined by a qualified actuary whilst the employee contributions are fixed by regulations governing the scheme. The most recently completed full actuarial valuation was in 2022 with the next formal valuation due in 2025. The contribution rate for the Group was 25.7% (2023: 25.7%) for employer contributions and 5.5% to 11.4% (2023: 5.5% to 11.4%) for employee contributions. The most recent actuarial valuation confirmed that the employer contribution would stay at 25.7% till 2025. The pension contribution for the year for the Kent County Council Local Government Superannuation Scheme amounted to £257,587 (2023: £253,387). The scheme was withdrawn from new staff in 2005 and a defined contribution scheme offered in its place.

- Pension benefits depend upon age, length of service and salary level.
- A valuation for the purposes of the accounts is provided annually by a qualified independent actuary.
- There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

<i><b>Reconciliation of present value of plan liabilities</b></i>	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>
<b>At the beginning of the year</b>	38,677	56,736
Current service cost	212	415
Interest cost	1,816	1,454
Change in financial assumptions	(510)	(19,073)
Change in demographic assumptions	(553)	(1,597)
Experience loss	120	2,325
Benefits paid net of transfers in	(1,753)	(1,624)
Contributions by scheme participants	80	80
Unfunded pension payments	(40)	(39)
<b>At the end of the year</b>	<b>38,049</b>	<b>38,677</b>

<i><b>Reconciliation of fair value of plan assets</b></i>	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>
<b>At the beginning of the year</b>	47,503	47,745
Interest on assets	2,247	1,225
Return on assets less interest	(489)	(613)
Other actuarial gains	-	405
Administration expenses	(43)	(29)
Contributions by employer excluding unfunded	303	353
Contributions by members	80	80
Benefits paid	(1,793)	(1,663)
<b>At the end of the year</b>	<b>47,808</b>	<b>47,503</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 26 Pensions (continued)

	31 March 2024 £'000	31 March 2023 £'000		
Fair value of plan assets	47,808	47,503		
Application of asset ceiling	(9,759)	(8,826)		
Present value of plan liabilities	(37,584)	(38,184)		
Surplus	465	493		
Present value of unfunded obligation	(465)	(493)		
Net pension scheme liability	-	-		
<b>Amounts recognised in other comprehensive income are as follows:</b>	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>		
Included in administrative expenses:				
Service cost	212	415		
Net interest on the defined liability	(431)	229		
Administration expenses	43	29		
	<b>(176)</b>	<b>673</b>		
<b>Analysis of actuarial gain recognised in other comprehensive income</b>	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>		
Actual return less expected return on fund assets	(489)	(613)		
Other actuarial gains on assets	-	405		
Experience losses on defined benefit obligation	(120)	(2,325)		
Change in demographic assumptions	553	1,597		
Changes in financial assumptions	510	19,073		
Application of asset ceiling	25	(8,826)		
	<b>479</b>	<b>9,311</b>		
<b>Composition of plan assets</b>	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>	<b>%</b>	<b>%</b>
Equities	27,812	58	30,313	64
Gilts	3,503	7	260	1
Other bonds	6,884	14	6,239	13
Property	4,289	9	4,741	10
Cash	761	2	852	2
Target return portfolio	2,416	5	3,480	7
Infrastructure	2,143	5	1,618	3
<b>Total plan assets</b>	<b>47,808</b>	<b>100</b>	<b>47,503</b>	<b>100</b>
Return on plan assets		3.76%		1.30%



# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 26 Pensions (continued)

<i>Principal actuarial assumptions used at the balance sheet</i>	<b>31 March 2024</b>	<b>31 March 2023</b>
Discount rates	4.90%	4.80%
Future salary increases	3.90%	3.90%
Future pension increases (CPI)	2.90%	2.90%
Life expectancy from age 65 years: Males (years)	20.8	21.1
Life expectancy from age 65 years: Females (years)	23.3	23.5

#### Defined Contribution Scheme

mhs homes limited also operates a defined contribution scheme administered by Aviva. The employer's contributions, at a rate of between 1% to 10%, were £448,258 (2023: £377,926). At 31 March 2023, the number of staff participating in the scheme was 291 (2023: 289). There were no contributions outstanding or prepaid as at 31 March 2023.

### 27 Provision

	<b>Group</b>	<b>Group</b>	<b>mhs homes</b>	<b>mhs homes</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fire Safety Provision	-	527	-	-
Health and Safety Executive Provision	<b>534</b>	-	<b>534</b>	-

The fire safety provision was due to additional fire remedial works to a property required to achieve compliance. However, during the year, the contractor confirmed they would undertake this work, and therefore the provision has been reversed. The Health and safety executive (HSE) provision represents a fine due to a reportable incident that occurred in January 2023. mhs homes accepted they were at fault and the HSE confirmed that a fine would result, the amount of which was confirmed in April 2024 and is provided for in the accounts.

### 28 Contingent liabilities

Social Housing Grant :**The Group** receives grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. **The Group** has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2024, the value of grant received in respect of these properties that had not been disposed of was £50,207,000 (2023: £36,699,000). As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

<b>Total Social Housing Grant received or receivable to date is as follows:</b>	<b>Group</b>	<b>Group</b>	<b>mhs homes</b>	<b>mhs homes</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Recycled Capital Grant	<b>81</b>	<b>157</b>	-	-
Capital Grant	<b>50,126</b>	<b>36,512</b>	<b>16,511</b>	<b>16,511</b>
<b>Total Grant</b>	<b>50,207</b>	<b>36,669</b>	<b>16,511</b>	<b>16,511</b>

#### Parent Guarantees

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

mhs homes has guaranteed construction contracts for Heart of Medway and K1 Construction. At the year end the liabilities covered by these guarantees are £12,835,000 (2023: £32,022,000).

### 29 Operating Lease

The Group and the Association had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as Lessee	Group	Group	mhs homes	mhs homes
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Not later than one year	49	141	49	141
Later than one year not later than five years	951	774	951	774
	1,000	915	1,000	915

Amounts receivable under operating leases as lessor	Group	Group	mhs homes	mhs homes
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Not later than one year	73	201	73	201
Later than one year not later than five years	6	66	6	66
	79	267	79	267

### 30 Capital Commitments

	Group	Group	mhs homes	mhs homes
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
<b>Commitments contracted</b>				
New build developments	26,928	45,760	12,645	31,385
<b>Commitments approved by the board but not contracted</b>				
New build developments	11,144	9,627	-	-
	38,072	55,387	12,645	31,385

Capital commitments for the Group and mhs homes will be funded as follows:

	Group	Group	mhs homes	mhs homes
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Social Housing Grant	1,941	1,258	1,250	-
New loans	10,000	26,000	-	10,200
Sales of properties	12,765	8,782	5,803	8,782
Existing reserves	13,366	19,347	5,592	12,403
	38,072	55,387	12,645	31,385

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

## Notes forming part of the Financial Statements (Continued)

### 31 Related party disclosures

The Board includes two tenant members who hold a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £12,326 (2023: £18,043) and the tenants had arrears balances of £132.72 at the 31 March 2024 (31 March 2023: nil). The Association provides management services, other services and loans to its subsidiaries. The Association also receives charges from its subsidiaries. The charges are set out below.

Payable to mhs homes by subsidiaries:	Management charges		Interest charges	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Heart of Medway Housing Association Limited	605	527	-	-
Chatham Maritime K1 Development Limited	-	-	394	497
	<b>605</b>	527	<b>394</b>	497

Intra-group management fees are receivable by the Association from subsidiaries to cover the running costs that the Association incurs on behalf of managing its subsidiaries.

Entity granting loan	Entity receiving loan	Repayable by	Interest Rate	At 1 April 2023 £'000	Movement £'000	At 31 March 2024 £'000
mhs homes limited	Heart of Medway Housing Association Limited	2038	-	140	3,994	4,134
mhs homes limited	Chatham Maritime K1 Development Limited	2040	4.36%	11,457	(348)	11,109
				<b>11,597</b>	<b>3,646</b>	<b>15,243</b>

mhs homes provided parent guarantees as disclosed in note 28.

Kent County Council Pension Scheme is a related party, refer to note 26 for transactions during the year.

### 32 Capital and reserves

The revaluation reserve contains unrealised gains of £210.6 million (2023: £210.6 million) in respect of fixed assets for which the deemed cost option was taken.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**Notes forming part of the Financial Statements (Continued)**

**33 Net debt reconciliation**

<b>Group</b>	<b>At 1 April 2023 £'000</b>	<b>Cash flows £'000</b>	<b>Non-cash movement £'000</b>	<b>At 31 March 2024 £'000</b>
Short term deposits	2,151	733	-	2,884
Cash at bank	13,703	(8,984)	-	4,719
<b>Cash and cash equivalents</b>	<b>15,854</b>	<b>(8,251)</b>	<b>-</b>	<b>7,603</b>
Loans and borrowings	(262,250)	(30,000)	-	(292,250)
<b>Net debt</b>	<b>(246,396)</b>	<b>(38,251)</b>	<b>-</b>	<b>(284,647)</b>