Heart of Medway Housing Association Ltd

Annual Report and Financial Statements

Year ended 31 March 2026

Registered Community Benefit Society | Registration number: 31076R

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INTRODUCTION TO THE FINANCIAL STATEMENTS

This year marked an important step in the association's development with our first assessment by the Regulator of Social Housing, where we achieved the highest possible gradings of G1 for governance, V1 for financial viability, and C1 for consumer standards.

Receiving this recognition from the Regulator across all three areas reflects the hard work and commitment of our entire team and is a clear sign that we're delivering on our promise to provide safe homes and services our customers can rely on with a strong financial position, supported by a robust approach to treasury management, effective cost control and a disciplined approach to risk.

Being part of the wider mhs homes group continues to bring advantages, including economies of scale and access to funding that supports investment in existing homes and new supply. This has enabled us to grow without compromising our financial resilience.

The year saw us complete 102 new homes, marking a significant increase in development. This growth has been carefully managed to stay aligned with our long-term financial capacity and strategic goals. Our development programme remains focused on meeting local housing needs, with plans in place to deliver a further 100 homes in the coming years.

Whilst overall financial performance was strong, we didn't meet our customer satisfaction aspirations. We are working hard to improve customer outcomes, with increased investment in our homes and reviews of key services taking place, and we were pleased that survey results showed an improvement in the latter part of the year which we are confident will translate through to better outcomes next year.

During the year, Awaab's Law came into force, raising standards for health and safety and ensuring potential risks are addressed quickly and effectively to keep our customers safe in their homes. Thanks to early preparation and proactive work, we were ready to meet the new requirements and timescales, giving reassurance that customer wellbeing remains a constant focus in how we operate.

Investment in existing homes remains central to our financial strategy. At year end, 95% of homes had an EPC rating of C or above, with plans to increase this to at least 97% by March 2027. Over 99% of our homes met the Decent Homes Standard, homes not yet meeting the required standard have improvement works scheduled early in the next financial year. This upcoming year has a full stock condition survey planned to help us ensure our customers have the highest quality homes.

We are grateful to the Customer Scrutiny Panel who continued to provide us with valuable challenge and assurance throughout the year. Their work supports continuous improvement and ensures that customer priorities inform our decision making.

Overall, the financial statements show that Heart of Medway Housing Association is financially strong, well governed, and well placed to deliver quality services. We enter the next financial year with a resilient financial base, a clear strategic direction and the capacity to continue investing in high-quality, affordable homes for the communities we serve.

Sandra Skeete
Chair

HEART OF MEDWAY - AT A GLANCE

Financial Highlights

	2025/26	2024/25
Turnover	£9.9 million	£9.6 million
Operating Surplus	£2.5 million	£3.4 million
Surplus excluding movement in fair value	£0.5 million	£1.6 million
EBITDA MRI [1]	£4.2 million	£4.2 million
Debt less cash and cash equivalents	£72.0 million	£67.8 million
Debt less cash and cash equivalents excluding intercompany loan from mhs homes	£60.0 million	£49.4 million
EBITDA – MRI[1] / turnover	44%	44%
EBITDA - MRI[1] / Net interest Costs	185%	195%
Net Debt / EBITDA - MRI[1]	17.1	16.2

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

Operational Highlights

	2025/26	2024/25
Total stock owned and managed	1,358	1,253
% Homes at Decent Homes Standard	99%	100%
% Homes at EPC band C or above	95%	94%
New homes brought into management	102	0
Homes purchased from a registered provider	5	10*
% Customer satisfied with overall services	67%	67%

Heart of Medway employs no staff with all management and repairs services being provided through an Intra Group Agreement with mhs homes that acknowledges and supports the Registered Provider status of **Heart of Medway**.

* 10 Leasehold properties purchased at nil value

HEART OF MEDWAY - AT A GLANCE

Heart of Medway Housing Association was formed in 2010 for the benefit of the community with its charitable objects being to provide social housing and providing assistance and facilities for the relief of aged, disabled (whether physically or mentally) or chronically sick people. In order to meet our charitable objectives, we provide the following services: -

- **General needs** properties form the majority of Heart of Medway stock at 761 homes and are primarily for individuals and families unable to rent or buy at a market value. We ensure our rents are affordably priced for our customers by letting them at between 60% to 80% of market rents. Rent increases are limited by the Rent Standard published by the Regulator of Social Housing.

- **Supported living** properties are aimed at people 60 years and over, with Heart of Medway having three schemes with 144 flats and communal lounges. We provide regular support to help people continue to live independently**.**

- **Shared ownership** is where customers purchase a share in the equity of their home and pay rent to us on the remainder, with the option to purchase the whole property over time and is a great way to get a foot on the property ladder. Heart of Medway own 266 shared ownership properties**.**

- **Foyers** provide a safe place for young people between the ages of 16-25 to live, learn and make the transition to independent adulthood. They offer personal development and other services to help young people reconnect with learning, increase their employability, improve their health and wellbeing and develop their leadership potential. Heart of Medway manages two foyers, with 36 spaces in total, with the buildings leased from mhs homes**.**

- **Intermediate rents** are let at submarket rent and are designed to help first time buyers who can't yet afford to buy a home but want the chance to save for a deposit to purchase a home. We have 24 of these homes within our stock**.**

In addition to this, Heart of Medway has a small market rent portfolio of 17 homes which is non-social housing activity. These were acquired in 2015/16 as part of a wider development of 35 homes. The rest of the development includes 12 affordable rent and 6 shared ownership homes. The decision to acquire a market rent portfolio linked to a number of factors at that time including:

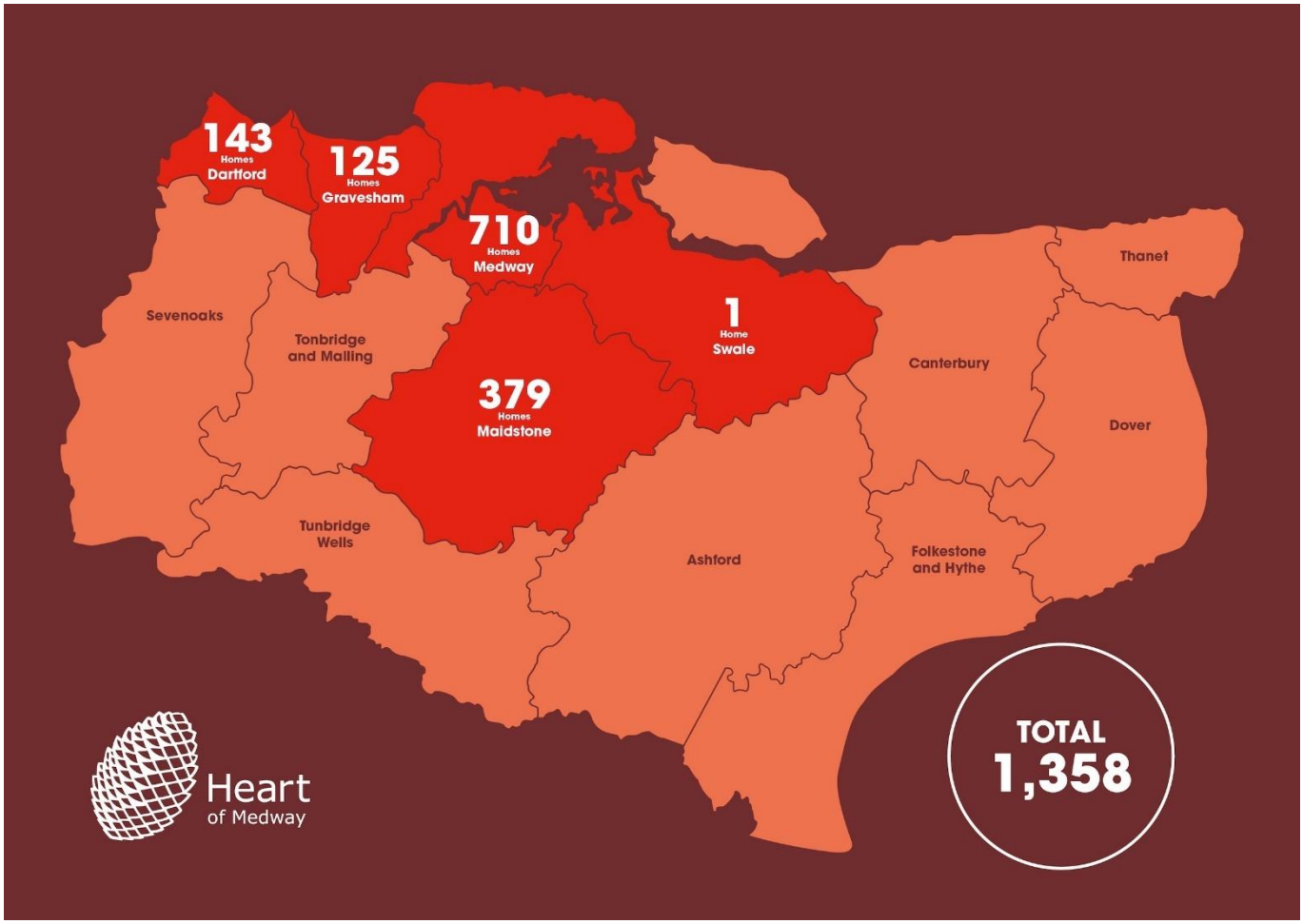
- The inclusion of market rent units with higher rental income streams helped improve the whole scheme viability.
- It aligned with the strategic wishes of the local authority to improve the quality and standards in the private rented sector locally.
- Market rent helped provide a greater social and income mix in what was a deprived neighbourhood.
- The market rent portfolio was seen as an opportunity to hold assets for the benefit of Heart of Medway, which could be disposed of if there was ever a need to raise capital.

There are also 92 social leaseholders and 18 managed freeholders.

HEART OF MEDWAY - AT A GLANCE

Our Locations

All our properties are in Kent as noted below.



STRATEGIC REPORT

An overview of 2025/26 results

Comparison of operating surplus with last year

The fall in the overall surplus when compared to last year reflects both the increased investment in our homes along with the additional depreciation on the stock brought into management during the year. However, there was a significant movement in fair value when compared to the prior year which offset much of the increased spend.

	£'000
Total comprehensive income for year ending 31st March 2025	**1,099**
Increase in income from social housing	379
Increase in repair costs	(309)
Increase in depreciation charge	(545)
Increase in service charge costs	(348)
Increase in other costs	(9)
Decrease in surplus from social housing lettings	**(832)**
Decrease in surplus from sale of other fixed assets	(95)
Decrease in surplus from other social housing activities	(36)
Increase in surplus from non-social housing activities	50
Decrease in operating surplus compared to 24/25	**(913)**
Increase in financing costs	(133)
Decrease in surplus before fair value adjustment	**(1,046)**
Increase in fair value movement	659
Total comprehensive income for year ending 31st March 2026	**712**

Turnover

The turnover from rental properties reflects the inflationary increase along with the new units that came into management in the second half of the year.

Sales of properties

Sale of fixed assets represented staircasing on existing shared ownership homes. There was no new shared ownership homes sold, as was expected, due to **Heart of Medway** moving away from shared ownership to developing grant funded rented properties. This is consistent with the Group Development Strategy as new shared ownership homes are developed in mhs homes.

Decrease in depreciation and impairment

The increase in deprecation reflects the new units brought into management during the year.

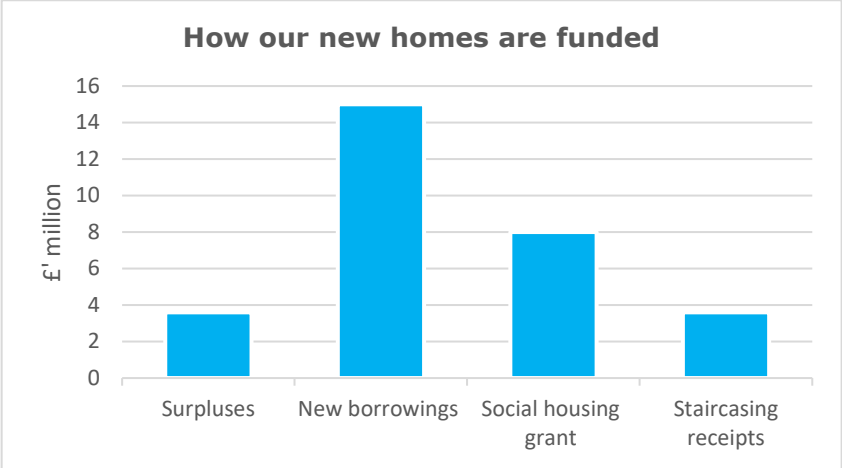
Financing costs

Additional funding of £10m was received in January 2026.

STRATEGIC REPORT

Future Plans

The Strategic Plan for mhs homes Group has the ultimate ambition to help end the housing crisis in north Kent by providing safe and sustainable homes. Heart of Medway has a critical role in supporting this ambition. This ambition is underpinned by the belief that decent housing should be a basic human right. We do what we do because everyone should have a decent home.



Over the next five years Heart of Medway will be investing £30 million in new properties with 100 social rented units forecast to complete. This investment will be funded through a combination of loans, surpluses from day-to-day activities staircasing receipts from shared ownership homes and social housing grant.

A further £20 million will be invested in our current homes, which will ensure that all of our homes meet Decent Homes Standard, along with preparing for the updated decent homes standard, stay on track to meet the target that all homes meet the EPC C band by 2030 and fully comply with all landlord compliance obligations.

The financial ratios below, from the long-term financial plan approved by the Board in February 2026, reflect a one-off increased investment in our current homes in 26/27, that quickly returns back to a position where cash surpluses are generated, with these underpinning the development programme noted above.

Group Ratio	**2027**	**2028**	**2029**	**2030**	**2031**
Ratio of Debt: EBITDA-MRI*	30	19	18	19	18
EBITDA-MRI*: Interest Payable %	86%	135%	137%	126%	133%

* EBITDA – MRI: Earnings before interest, tax, depreciation and capitalised major repairs expenditure. Property sales are included.

STRATEGIC REPORT

Financial review

The last five years financial performance along with key ratios is summarised below and shows that Heart of Medway has significantly grown in size in the last 5 years. Surpluses have fallen as debt to fund the increase has risen.

Year Ending 31 March	**2022**	**2023**	**2024**	**2025**	**2026**
Units of housing stock	915	968	1,247	1,255	1,358
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	5,529	6,653	7,433	9,597	9,854
Expenditure	3,931	4,922	6,526	6,369	7,444
Surplus before sale of assets	**1,598**	**1,731**	**907**	**3,228**	**2,410**
Disposal of assets	401	251	163	221	126
Operating surplus	**1,999**	**1,982**	**1,070**	**3,449**	**2,536**
Net interest cost	151	579	1,117	1,893	2,026
Surplus\(loss) before fair value	**1,848**	**1,403**	**(47)**	**1,556**	**510**
Net fixed assets	119,786	123,324	150,948	168,334	174,357
Investments	3,650	3,840	3,829	3,372	3,574
Net current assets \ (liabilities)	(361)	5,765	1,471	1,304	61
Social housing grant (SHG)	16,429	18,208	18,601	18,979	19,309
Loans	19,504	29,483	49,371	49,361	59,391
Intercompany debt	4,535	510	4,134	18,372	12,010
Sinking Funds**	-	-	-	1,057	1,329
Provision for liabilities and charges	-	528	-	-	**-**
Total reserves	**82,607**	**84,200**	**84,142**	**85,241**	**85,953**
Financial Performance					
Ratio of Net Debt***: EBITDA-MRI*	9	8	24	16	17
Ratio of EBITDA-MRI*: Interest Payable	605%	365%	170%	197%	185%
Other Key Ratios					
Voids: net rental income	1.1%	0.8%	0.9%	0.8%	1.7%
Bad Debt: net rental income	0.9%	0.8%	1.8%	1.0%	(0.6%)

* EBITDA – MRI: Earnings before interest, tax, depreciation, capitalised major repairs and surplus on sale of fixed assets
** Sinking Funds were reclassified to creditors greater than one year following a review in 2025/6.
*** Including intercompany debt

STRATEGIC REPORT

Customer Safety

Building safety

As of the end of March 2026 all but fifteen properties met the Decent Homes Standard. Of these ten relate to one block, where a full central heating system upgrade has been identified. Budget and programmes are in place for all works required to be completed in the upcoming financial year.

Building safety remains of paramount importance, and as of 31st March 2026 all Fire Risk Assessments were up to date, with 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. No buildings owned by Heart of Medway have ACM cladding. Heart of Medway owns one block above eighteen metres or over six storeys that falls under the requirement of the Building Safety Act to create Building Safety Cases.

Building name	No of storeys	No of homes	Cladding
The Auditorium	7	16	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 are entering the final year of a five-year fire safety programme. We originally identified forty-three blocks that required an intrusive inspection in line. Of these thirty-seven blocks have been completed, with the remining six programmed to start in the upcoming financial year. All the buildings remaining are 3 stories or lower.

During the year Heart of Medway invested £0.6 million (2025 - £0.4 million) on fire safety remediation costs, all of which was accounted for in operating costs. As at the end of the year all compliance checks were at 100%, with further details on page 13.

Awaabs Law

Awaabs Law came into effect on the 27 of October 2025 and in response we launched a new case management system to triage and track cases from initial contact to completion and post inspection. When damp is identified customers are supported through the process with regular checks on the effectiveness of the treatments. We also provide information to reduce the likelihood of damp and mould in their homes and are investigating how we can use new technologies to help reduce condensation and identify issues at an earlier stage.

At the year-end there were no high-risk damp and mould cases. Though there were 40 low and medium cases open, the majority had work in progress with the remaining under investigation. Our response rates as required by Awaabs Law have been benchmarked as top quartile when compared to peers in the Southeast, with 93% of emergency works started within 24 Hours, 98% of investigations happening within 10 days and 90% of non-emergency jobs started within 10 days.

STRATEGIC REPORT

Treasury management

The treasury management for the Group is governed by a Treasury Policy and Strategy which is reviewed and approved by the Board. The Group Treasury Committee monitors treasury activities and makes recommendations to the Board of **Heart of Medwa**y.

Heart of Medway operates a prudent approach to Treasury with:

- 100% of all debt on fixed interest rates.
- A revolving interest free credit facility with mhs homes of £30 million.

The association had £72 million of loans outstanding at 31 March 2026 (2025 - £68.1 million), further details of which are below.

- The intercompany debt stood at £12 million (2025: £18.1 million).
- £60 million of external debt repayable as below.
    - £10 million in 2038
    - £30 million in 2044
    - £20 million in 2055

Spare security of £73 million, as calculated under existing use value–social housing, is available to Heart of Medway for future funding if required.

Diversity and inclusion

We have a strong commitment to this area in our Strategic Plan 2024/27. An EDI Strategy was approved by the mhs homes Group Board in September 2024, covering our approach and ambition for our customers, colleagues and others we work with. We have website and Intranet pages that set out our targets and progress against them. We made a clear commitment to actively seek to create more inclusive and diverse boards and committees initially have had good success with our recruitment and appointments in 2025/26.

The EDI Taskforce, chaired by the Executive Director of Governance and Risk, is the body that drives and oversees activity in this area. We review Equality Impact Assessments (EQIAs), data on areas of activity for customers and colleagues broken down by protected characteristics, case studies, training, wider learning and progress against our action plan from accreditation and Housing Ombudsman recommendations and our EDI Strategy

Consumer standards

The new Consumer Standards came into place from April 2024. We were delighted to receive a "C1" grade in the first inspection for Heart of Medway that took place in July 2025. Full detail of the inspection can be found on the regulator's website, but we were delighted that the report noted how Heart of Medway uses its understanding of the condition and safety of its tenants' homes to make decisions on future investment to maintain and improve homes and significant improvements in the delivery of its day-to-day repairs service. The report also talks to the evidence of Heart of Medway ensuring tenants are supported in sustaining their tenancies and an active approach to considering tenants' diverse needs. However, though the report acknowledges improvements in our complaints service, the importance of continuing this progress is stressed. In summary we were very pleased with this outcome but determined to build on these successes, so our customers receive the highest quality service.

STRATEGIC REPORT

Sustainability

Heart of Medway is in a strong position to meet the target of all properties meeting EPC C by 2030, with only 46 homes not meeting the standard as at 31 March 2026. Of these 40 are rated "D". All 102 new homes handed over in the year had photovoltaic panels and chargers for electric vehicles, with 50 also having air source heat pumps. All properties were rated "B".

Risk management

The definition of a risk is an event which could hinder Heart of Medway 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. All risks are managed within an acceptable level of residual risk to the business. The risk register is split into strategic and operational risks.

Assistant Directors 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, and 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.

These controls are assessed using the three lines of defence model and the definition of risk appetite is "the amount of risk Heart of Medway 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 along with the mitigations and assurances on key risks.

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

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

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

Risk **Risk Appetite – Open**	**Mitigations and assurances**
Failure to meet housing need in north Kent	• Development plan modelled in Long Term financial plan • Annual outturn report on development expenditure reported to Board • Financial sensitive modelled on new sales schemes • Disposal programme to support new build
Failure to meet customer needs or expectations	• Regular and in-depth customer surveys • External benchmarking • Assurance on compliance of the Complaints Code • Customer Service Excellence accreditation • Customer scrutiny panel reviews • Evidence of customer feedback used to improve services

STRATEGIC REPORT

Risk Appetite - Cautious	
Failure to invest sufficiently in our homes	• Review of component cost assumptions • Stock condition survey to take place in 2026/27 aligned to decent homes standard version 2 • Every property to be surveyed every five years
Failure to maintain long-term financial viability and meet existing covenants	• Long term financial planning with robust stress testing • Annual review and approval of 'golden rules' • Regular economic updates from our Treasury advisors • Annual review of Treasury policy including substantial buffers around liquidity
Failure of data security or integrity	• Penetration tests on our overall cyber security system. • Regular security and data protection training for colleagues. • Regular phishing tests for staff. • Regular vulnerability scans on our systems. • External assurance of our data
Risk Appetite - Avoid	
Failure to ensure safety of customers and colleagues	• Champion status under the Building a Safer Future Charter • Primary Authority Partnership with Kent Fire Service. • Intrusive Type 4 fire risk assessments in high-risk buildings. • Landlord compliance reports are presented to all boards. • Damp and mould \ building and customer safety teams. • British Safety Council Level 4
Failure of appropriate governance and control	• Governance Framework & annual review • Development of Customer Engagement framework. • Annual review of compliance with Regulator of Social Housing • Robust management of policies across the business

STRATEGIC REPORT

Tenant Satisfaction Measures

The Tenant Satisfaction Measures were introduced by the Regulator of Social Housing in England in 2024 to assess how well landlords are doing in providing good quality homes and services and helps tenants hold social housing landlords to account. Our full results are also published on our website.

The benchmarking data is against data provided by a third-party organisation, who looked at the outcomes of 124 housing associations greater than 1,000 homes.

Overall satisfaction with the service stayed broadly level or declined slightly reflecting a year of transition, and the decision to offer online survey completions which have negatively impacted our scores in comparison to the previous year. However there have been improvements in performance across latter part of the year, therefore we would expect improvements in the upcoming year.

Measure	**25/26**	**24/25**	**Benchmarking**
Overall satisfaction with the service	67%	68%	74%
Repairs and maintenance			
Satisfaction:-			
with repairs carried out	76%	80%	77%
with time take to complete repairs	70%	57%	74%
that the homes provided are well maintained	73%	75%	75%
Complaints and engagement			
Satisfaction:-			
that we listen and act on our customer' views	54%	48%	64%
that we keep our customers informed	72%	80%	75%
with our approach to handling complaints	31%	33%	37%
that we treat customers with respect	77%	79%	79%
Building safety			
Satisfaction we provide a home that is safe	73%	80%	80%
Satisfaction that: -			
that we keep communal areas well maintained	70%	61%	70%
that we make a +'ve impact on neighbourhoods	68%	63%	68%
with our handling of ASB behaviour	50%	48%	61%

STRATEGIC REPORT

Benchmarking on the below TSM's is provided by the 24/25 benchmarking data from the headline report for large, registered landlords by the Regulator of Social Landlords.

Repair performance is strong on emergency repairs, however non-emergency repair remains lower than our customers would expect, though the results show the impact of a campaign to reduce the numbers of jobs outside of timescale, lowering the % completed within target. We therefore expect this result to improve in the upcoming year.

Complaint volumes have reduced at both Stage 1 and 2 with overall response times improving compared to last year. However, response times remain below other housing associations though changes made in the year, including stronger leadership oversight, and the introduction of the "learning from complaints" Group have already improved consistency, transparency, and cross-service learning. These changes are beginning to stabilise performance and address root causes rather than symptoms.

The results on landlord compliance emphasised the importance of this area.

Measure	25/26	24/25	Benchmarking
Repairs and maintenance			
Homes that fail the Decent Homes Standard	1.5%	0.2%	0.5%
Non-Emergency repairs completed within target	55.1%	57.2%	82.5%
Emergency repairs completed within target timescale	91.0%	94.5%	94.9%
Complaints			
No of Stage 1 Complaints per 1,000 properties - LCRA	82	115	53
No of Stage 2 Complaints per 1,000 properties - LCRA	23	22	8
No of Stage 1 Complaints per 1,000 properties - LCHO	140	117	40
No of Stage 2 Complaints per 1,000 properties - LCHO	53	34	11
% of stage 1 responded to within timescales - LCRA	82%	73%	90%
% of stage 2 responded to within timescales - LCRA	80%	63%	89%
% of stage 1 responded to within timescales - LCHO	76%	68%	86%
% of stage 2 responded to within timescales - LCHO	62%	56%	86%
Building safety			
Gas safety checks completed	100%	100%	100%
Fire safety checks completed	100%	100%	100%
Asbestos safety checks completed	100%	100%	100%
Water safety checks completed	100%	100%	100%
Lift safety checks completed	100%	100%	100%
Neighbourhood and anti-social behaviour (ASB)			
ASB cases per 1,000 properties	23	25	36

VALUE FOR MONEY STATEMENT

How we ensure value for money

There are established policies and arrangements ensuring that value for money (VFM) is being obtained, including:

- The **Heart of Medway** Board has a keen interest in seeing VFM delivered and recently approved a new and updated VFM strategy.
- The strategic plan sets challenging targets on Group operating margins.
- The Board agree and monitor our annual budget, with detailed work taking place in the Group Finance Risk and Audit Committee.
- There is 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, bathrooms which aims to maintains our stock at 100% Decent Homes Standard.
- Intrinsically linked to the Asset Management Strategy is our approach to active asset management in which every property will be reviewed for maintenance costs (both past and future), income, ease of re-let and management considerations.
- There is a comprehensive and regularly reviewed Procurement Strategy that sets out the rules on quotes, tenders and approval of new contracts. Where possible supply chains are consolidated to provide greater scope for efficiency and reducing costs.
- The customer scrutiny panel have undertaken robust service reviews with clear recommendations made to the Executive and Heart of Medway Board.

Our performance compared to comparable organisations

Heart of Medway benefits from being in the Group structure as can be demonstrated when compared with other organisations. The benchmarking is compared with associations having at least 50% of units in in the Southeast and under 10,000 units, with the results from the 2025 Value for Money Metrics published by the Regulator of Social Housing.

	Budget	Actual		**VFM comparison**
Metric	**2027**	**2026**	**2025**	**Median[1]**
Investment in - new and existing properties	1.2%	4.9%	11.2%	6.1%
New supply delivered – social housing	0.0%	7.7%	0.0%	1.4%
New supply delivered – non-social housing	0.0%	0.0%	0.0%	0.0%
Gearing	41%	41%	40%	52%
EBITDA -mri: interest rate cover	86%	185%	195%	119%
Social housing cost per unit £	6,324	4,422	4,450	6,090
Operating margin (overall)	19%	26%	36%	26%
Return on capital employed	1.3%	1.4%	2.0%	3.2%

[1] Sourced from the Global account 2024 for associations in the Southeast owning up to 10,000 homes

Interest cover and cost per unit continue to be better than the median, though the recent fall reflects the increased investment in new and existing stock. The lower figure for return on capital compared to the sector is due to the stock being relatively new.

VALUE FOR MONEY STATEMENT

Performance against our own targets

During the budget and business planning process the value for money metrics are calculated so we can address areas of under performance during the year which are noted below.

Metric	Actual 2026	Budget 2026
Investment in properties - new and existing	4.9%	5.0%
New supply delivered – Social Housing	7.7%	8.3%
New supply delivered – Non-Social Housing	0.0%	0.0%
Gearing	44%	41%
EBITDA interest rate cover	185%	149%
Social housing cost per unit £	4,422	4,822
Operating margin (overall)	26%	19%
Return on capital employed	1.4%	1.3%

The results for the year were in line with what had been anticipated and budgeted.

Other key indicators through the year	Target	As at 31 March 2026	As at 31 March 2025
Green denotes achieving target Red denotes not achieving target			
Rent arrears	4.5%	4.4%	6.3%

The progress at the end of last financial year was continued and were delighted to meet the target.

Average turnaround time for voids (standard works)	28 days	25 days	30 days

The improvements from last year continued and with the target met in the year.

REPORT OF THE BOARD OF MANAGEMENT
OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

Board of management

	Position	
Sandra Skeete	Chair	
Mark Miles Lea	Trustee	
Sally Ironmonger	Trustee	
Vivienne Astall	Trustee	
Philip Huxham	Trustee	
Chris Todd	Trustee	
Jun Jei Jake Chai	Trustee	
Shabana Yousaf	Trustee	Appointed 1 May 2026
Pamela Bhamra	Trustee	Appointed 1 May 2026

Registered Office
Heart of Medway Housing Association Limited
Broadside
Leviathan Way
Chatham
Kent
ME4 4LL

Auditors – External
BDO LLP
First Floor, Bottleworks
Guildford
Surrey
GU1 4LP

Bankers
National Westminster Bank Plc

Legal Status
Registered Society no 31076R
Registered with the Regulator of Social Housing

Ultimate Parent Undertaking: The Association is a subsidiary undertaking of **mhs homes limited** a private company limited by guarantee and a charity registered in England and Wales from 16 March 2018. The accounts are available from the Association's registered office at Broadside, Leviathan Way, Chatham, Kent ME4 4LL.

REPORT OF THE BOARD OF MANAGEMENT
OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

Principal activities and review of the business

Heart of Medway Housing Association Limited ('Heart of Medway') is registered as a community benefit society under the Co-operative and Community Benefit Societies Act 2014 and with the Regulator of Social Housing. It was incorporated in October 2010 to enable **mhs homes group ('The Group')** to continue to access Social Housing Grant and therefore assist **the Group** in its objective to provide new social housing. It has charitable status for corporation tax purposes.

Objectives

The objectives of **Heart of Medway** are to provide social housing, other housing, accommodation, and assistance to help house people, along with any other charitable activities not prohibited for a community benefit society registered with the regulator as a non-profit registered provider.

Compliance with Governance and Financial Viability Standard

Heart of Medway undertakes an annual review of compliance against this standard, which is certified by the Board. This confirms compliance against the standard for the year and to the date of signing of the accounts. **Heart of Medway** is the registered subsidiary of an unregistered parent, **mhs homes limited (mhs homes)**, which is fully committed to ensuring that **Heart of Medway** complies with the Regulator of Social Housing Governance and Financial Viability Standard. **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**.

Corporate governance

Heart of Medway has adopted the National Housing Federation's Excellence in Governance Code of Governance (2020) and complies with all principles and provisions. An intra group agreement (IGA) manages the relationship between **Heart of Medway** and **mhs homes**. Both parties record their intentions to be treated as a group and each covenant to carry on its business in accordance with the Group objectives. This agreement was last reviewed and agreed by the Board in 2023. It states that **Heart of Medway** will appoint the Group Chief Executive as its Chief Executive and the Group Company Secretary as its Company Secretary. The Group Chief Executive is appointed by and accountable to the Parent board and also owes a duty of care to all group board members. Housing management is delegated to the Parent, **mhs homes,** through a management agreement.

Two non-executive members of the Board are also members of the **mhs homes** Board and receive a fee in respect of their role at mhs homes. The Board has devised its own procedure with respect to conduct, adopting the National Housing Federation Code of Conduct 2022, 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 Finance, Risk and Audit Committee.

Role of the Board

The Board Comprises of between five and twelve Directors. During the year there are at least five meetings, one of which is the Annual General Meeting. The role of the Board is to govern **Heart of Medway**; to fulfil its regulatory duty, to provide accountability, to resolve tensions between stakeholders, to give advice to management, to provide strategic direction and to be collectively responsible for the proper stewardship of the organisation.

The Board holds away days to challenge its own performance and keep updated. The agenda covers strategy, board development, teambuilding, financial matters, and vision and business proposals. The Board, as part of the **mhs homes group**, is part of a structure that includes a Customer Scrutiny Panel, Group Finance, Risk and Audit Committee, Health and Safety Committee, Treasury Committee and Remuneration Committee. Full details are included in the **mhs homes** accounts.

REPORT OF THE BOARD OF MANAGEMENT
OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

Composition of the Board

Details of membership during the year are shown on page 14. The Board held 5 meetings (2025: 10) at which the average attendance rate was 91% (2025: 97%).

Board member's responsibilities

The Board members are responsible for preparing the report of the board of management and the financial statements in accordance with applicable law and regulations. Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Housing SORP: Statement of Recommended Practice for registered social housing providers 2022 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The board is responsible for ensuring that the report of the board of management is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2022.

Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going concern

The Directors have reviewed the plans up to the end of July 2027 based on normal business planning, the long-term financial plans, stress testing and control procedures. Future plans and development aspirations will be comfortably funded by an inter-company facility of £30 million, of which £12 million is drawn at the year end. Stress testing has confirmed that the Association could sustain significant increases in expenditure or fall in income and still be able to work with all covenants from our lenders. All loans are on fixed interest rates and there is therefore no exposure to changes in interest rates. Therefore, the Board have a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

REPORT OF THE BOARD OF MANAGEMENT
OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

Qualifying third party 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 officers' liability insurance in respect of itself and its directors throughout the financial year.

Auditor

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

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 in accordance with the agreed specification.

REPORT OF THE BOARD OF MANAGEMENT
ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

Statement of Internal Control

The Group Board has overall responsibility for establishing and maintaining the whole system of internal control for the organisation and for reviewing its effectiveness. Full details are included in the mhs homes Group accounts. 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 Groups assets and interest.

As part of the mhs homes Group the full details of resident involvement, internal controls, impact on the environment and major risks can be found in the mhs homes accounts, along with the full group overview of the year.

In accordance with the Regulator of Social Housing 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 which is embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

Heart of Medway has adopted the National Housing Federations Code of Governance 2020. We are compliant to the Code. 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:

- **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. 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. The Group Board has adopted the National Housing Federation Code of Conduct 2022 and disseminated it to all employees who provide services to **Heart of Medway**. This sets out the expectations with regard to the quality, integrity and ethics of its employees.

- **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 **Heart of Medway'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 **Heart of Medway** Board any significant changes affecting key risks. The key risks for the association are: -

1) Failure to provide decent, safe compliant and sustainable homes.
2) Failure to maintain long-term financial viability and failure to meet existing covenants.
3) Failure to maintain excellent customer service levels.
4) Non-compliance with regulatory or legal requirements.

REPORT OF THE BOARD OF MANAGEMENT
ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

- **Information and financial reporting systems**

The Board approves a strategic plan in each financial year, which includes longer-term financial plans and limits on investment in its various activities. 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 staff 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.

- **Audit assurance**

A summary of all internal reports and the resultant actions are reported to the Group Finance, Risk and Audit Committee during the year. The Business Assurance Manager, who is a Chartered Auditor, has direct access to the Group Finance, Risk and Audit Committee and presents the Audit Reports. An audit plan was agreed by the Committee for 2025/26. During the year the internal audit service was co-sourced with the audit contractor, Menzies. The Committee met 6 times during the financial year and considered internal control and risk at each of its meetings. A report of each Group Finance, Risk and Audit Committee is presented to the Board.

BDO LLP are our external auditor. The Board receives a report from the external auditors identifying any financial internal control weaknesses that may have come to their attention in the course of their audit of the financial statements. This letter is considered by the Group Finance, Risk and Audit Committee and the Board. The Committee met with the internal and external auditors during the year without the presence of paid staff 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.

- **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 its forms, is illegal and unacceptable. Our bribery policy statement has been integrated into our code of conduct and our gifts and hospitality policy, adopted by the Group Board for the whole organisation, and made available on our intranet.

- **Financial Controls**

On behalf of the Board, the Group Finance Risk and Audit Committee have reviewed the effectiveness of the system of internal control, which operates across the Group for the year ended 31 March 2026. 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.

REPORT OF THE BOARD OF MANAGEMENT
ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

- 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 staff 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 staff take responsibility for important business functions. 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.
- **Performance Indicators**

Reports are presented to the Board covering key performance indicators across its activities. 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, staff turnover, housing statistics, health and safety and customer complaints.

- **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. 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, JLL advises on matters of stock valuation and Trowers & Hamlins on new loan facilities.

Monitoring and corrective action

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

The Heart of Medway Board confirms there were no material failures in its control environment, and an effective control framework has been in place for the 2025/26 year and up until the adoption of these accounts.

Approval

This report was approved by the Board on 14 July 2026

Sandra Skeete

14 July 2026

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART OF MEDWAY HOUSING ASSOCIATION LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2026 and of the Association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Heart of Medway Housing Association Ltd ("the Association") for the year ended 31 March 2026 which comprise of the following:

- Statement of comprehensive income
- Statement of financial position
- Statement of changes in reserves
- Notes 1 to 23 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 Association 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 members' 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 Association'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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Association's ability to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART OF MEDWAY HOUSING ASSOCIATION LIMITED

Other information

The board 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 and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 to report to you if, in our opinion:

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

Responsibilities of the board

As explained more fully in the board members responsibilities, the board 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 board members 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 board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Association 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 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. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Association and management.

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 industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the policies and procedures regarding compliance with laws and regulations.

we considered the significant laws and regulations to be the applicable accounting framework the Accounting Direction for Private Registered Providers of Social Housing and UK tax legislation.

The Association is 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 the Regulator of Social Housing's Regulatory Standards, Data Protection and the health and safety legislation.

Our procedures in respect of the above included:

- Enquires of management whether there were any litigations and claims;
- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Association'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 meetings 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; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the area's most susceptible to fraud to be management bias in accounting estimates and inappropriate journal entries to manipulate revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criterion, along with a sample of journals that did not mee a pre-defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias, including:
  - the depreciation of tangible fixed assets, through comparison to estimates used by similar organisations
  - the valuation of investment properties by using an auditor's expert to challenge the underlying valuation assumptions; and
  - the rental debtor provision, by challenge of the methodology and testing the underlying calculations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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 is available on the Financial Reporting Council's website at: 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 members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:
BDO LLP
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BDO LLP
Statutory Auditor
Guildford

Date: 04 August 2026

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2026

	Note	Total 2026 £'000	Total 2025 £'000
Turnover	4	**9,854**	9,597
Operating costs	4	**(7,444)**	(6,369)
Surplus on disposal of fixed assets	8	**126**	221
Operating surplus		**2,536**	3,449
Movement in fair value of investment properties	12	**202**	(457)
Operating surplus after fair value adjustment		**2,738**	2,992
Other interest receivable and similar income	9	**6**	9
Interest payable and financing costs	10	**(2,032)**	(1,902)
Surplus before taxation		**712**	1,099
Taxation		**-**	-
Total comprehensive income for the financial year		**712**	1,099

All income and expenditure is derived from continuing operations.

The notes on pages 30 to 44 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2026

	Note	2026 £'000	2025 £'000
Fixed assets			
Tangible fixed assets – housing properties	11	**174,357**	168,334
Investment properties	12	**3,389**	3,187
Other investments	13	**185**	185
		177,931	171,706
Current assets			
Debtors – receivable within one year	14	**653**	728
Short term deposits		**1,329**	1,057
Cash and cash equivalents		**42**	592
		2,024	2,377
Creditors: amounts falling due within one year	15	**(1,963)**	(1,073)
Net current assets		**61**	1,304
Total assets less current liabilities		**177,992**	173,010
Creditors: amounts falling due after more than one year	16	**(92,039)**	(87,769)
Net assets		**85,953**	85,241
Capital and reserves			
Non—Equity Share Capital	20	**-**	-
Income and expenditure reserve		**85,953**	85,241
		85,953	85,241

These financial statements were approved and authorised for issue by the Board on 14 July 2026 and were signed on its behalf by:

S Skeete	L Humphrey	M Miles Lea
Chair	Company Secretary	Board Member

The notes on pages 30 to 44 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2026

	Income and Expenditure reserve £'000
Balance at April 2025	85,241
Total comprehensive income for the year	712
Balance at 31 March 2026	**85,953**

	Income and Expenditure reserve £'000
Balance at April 2024	84,142
Total comprehensive income for the year	1,099
Balance at 31 March 2025	**85,241**

There is no other comprehensive income.

The notes on pages 30 to 44 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2026 (CONTINUED)

1 Legal status

The association is registered with the Co-operative and Community Benefits Societies Act 2014 in the United Kingdom and is registered with the Regulator of Social Housing in England as a social housing landlord. The Association is a Public Benefit Entity.

2 Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Heart of Medway includes the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, Financial Reporting Standard 102 – The Financial standard applicable in the United Kingdom and Republic of Ireland (FRS102),The Housing SORP: The Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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. The following principal accounting policies have been applied:

Going concern
On the basis of their assessment of the association's financial position and resources, the Board believe that the association is well placed to manage its business risks. After reviewing the budget of **Heart of Medway** till the end of July 2027, based on normal business planning and control procedures, the Directors have a reasonable expectation that **Heart of Medway** has adequate resources to continue in operational existence for the foreseeable future. Future plans and development aspirations will be comfortably funded by the inter-company facility of £30 million, which as at the year-end only £12 million had been drawn. Stress testing has confirmed that the Association could sustain significant increases in expenditure or fall in income and still be able to work with all covenants from our lenders. All loans are on fixed interest rates and there is therefore no exposure to changes in interest rates. Therefore, the Board have a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Cash flow statement
Under FRS 102 the association is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the association in its own published consolidated accounts.

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

- Rental income receivable (after deducting lost rent from void properties);
- Service charges receivable;
- Social Housing grants; and
- Proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical and are formally let, income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale, all other income is recognised on a receivable basis.

2 Accounting policies (continued)

Supported housing schemes
The association receives Supporting People grants from Medway Council. The grants receivable in the period as well as costs incurred in the provision of support services have been included in the Statement of Comprehensive Income.

Service charges
The association 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.

Value Added Tax
The association 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 association 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 instruments
Financial assets and liabilities are recognised when the association becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities.

FRS 102 requires that financial instruments are measured at amortised cost using the effective interest method with finance costs that are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. The difference between this and transaction price is not material, so financial instruments have been measured at transaction price. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Tangible fixed assets

Social Housing Properties
Social Housing properties constructed or acquired (including land) on the open market 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 staff costs and other costs of managing development. Directly attributable costs of acquisition include capitalised interest calculated on a proportional basis. Where housing properties are in the course of 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.

2 Accounting policies (continued)

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 structure and other major components are depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure – Houses	100
Structure – Flats	65
Kitchen	20
Bathroom and new central heating	30
Roofs	50
Boiler	15
Electrics	30
External windows & cold-water mains	30
Fire Door External	30
Adaptions	20

The costs of replacement or restoration of these components are capitalised and depreciated over the same average useful economic life. Assets in the course of 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.

Shared ownership properties and staircasing

Under Shared Ownership arrangements, the association 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 association, 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.

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 specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Financial assets

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

2 Accounting policies (continued)

Recycled Capital Grant Fund
On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct Heart of Medway to recycle capital grants or to make repayments of the recoverable amount. The association 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".

Social Housing Grant
Where developments have been financed wholly or partly by social housing grant the amount of grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure.

Where social housing grant funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until reinvested in a replacement property. If there is no requirement to repay or recycle the grant on disposal of the asset any unamortised grant remaining within the creditors is released and recognised as income with the comprehensive statement of income.

Stock and Work in Progress
Stock represents work in progress and completed properties, including housing properties developed for transfer to other registered providers and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche. Stock is held at the lower of cost and net realisable value.

Debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Recoverable amount of rental and other trade receivables
The association 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, historic collection rates and the class of debt.

Cash and cash equivalents
Cash and cash equivalents in the association's balance sheet 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. This is classified under creditors greater than one year as the related works are expected to occur beyond 12 months.

Concessionary loans
Concessionary loans are those loans received by Heart of Medway from 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.

2 Accounting policies (continued)

Investment properties
Investment properties consist of market rented properties not held for social benefit. They were valued in March 2026 by Jones Lang LaSalle LLP 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 on assumption of vacant possession. The change in fair value is recognised in the statement of comprehensive income. No depreciation is provided.

Provisions
Provisions are recognised 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. None were identified as at 31 March 2026.

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 association'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. The Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost.
- 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 11) are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. These consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Housing property assets are 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 12)
The Group's market rented investment properties are measured at cost on initial recognition and subsequently carried at a value determined by external valuers in March 2026. The valuation has been prepared in accordance with the current UK national supplement (the RICS Red Book) published by the Royal Institution of Chartered.

Rental and other trade receivables (debtors) (see note 14)
The estimates for receivables relating 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.

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

	Turnover	Operating costs	Sale of fixed assets	Operating surplus
	2026	2026	2026	2026
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	**9,416**	**(7,065)**	**-**	**2,351**
Other Social Housing Activities:				
Supporting People	**192**	**(320)**	**-**	**(128)**
Sale of fixed assets	**-**	**-**	**126**	**126**
Activities Other than Social Housing:				
Market rented properties	**246**	**(59)**	**-**	**187**
	9,854	**(7,444)**	**126**	**2,536**

	Turnover	Operating costs	Sale of fixed assets	Operating surplus
	2025	2025	2025	2025
	£'000	£'000	£'000	£'000
Social housing lettings (Note 5)	9,177	(5,994)	-	3,183
Other Social Housing Activities:				
Supporting People	192	(284)	-	(92)
Sale of fixed assets	-	-	221	221
Activities Other than Social Housing:				
Market rented properties	228	(91)	-	137
	9,597	(6,369)	221	3,449

5 Income and expenditure from social housing lettings

	General needs £'000	Affordable Rents £'000	Supported Housing £'000	Foyers £'000	Shared Ownership £'000	Intermediate rent £'000	Total 2026 £'000	Total 2025 £'000
Income								
Rents net of identifiable service charges	**1,975**	**4,046**	**549**	**104**	**1,194**	**235**	**8,103**	7,675
Service Charge income	**138**	**323**	**105**	**235**	**276**	**-**	**1,077**	1,126
Other income	**-**	**1**	**9**	**-**	**12**	**-**	**22**	167
Amortised government grants	**69**	**85**	**39**	**-**	**21**	**-**	**214**	209
Turnover from social housing lettings	**2,182**	**4,455**	**702**	**339**	**1,503**	**235**	**9,416**	9,177
Expenditure								
Management	**246**	**441**	**116**	**16**	**115**	**10**	**944**	935
Service charge costs	**195**	**339**	**149**	**235**	**177**	**23**	**1,118**	770
Routine maintenance	**234**	**363**	**31**	**47**	**29**	**23**	**727**	867
Planned maintenance	**134**	**373**	**122**	**148**	**46**	**15**	**838**	626
Major repairs	**166**	**363**	**53**	**145**	**210**	**11**	**948**	711
Bad debts	**19**	**(62)**	**1**	**5**	**(10)**	**(8)**	**(55)**	85
Depreciation of housing properties:								
- Annual charge	**596**	**895**	**706**	**-**	**211**	**38**	**2,446**	1,825
- Impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
- Accelerated on disposal of components	**55**	**44**	**-**	**-**	**-**	**-**	**99**	175
Operating costs on social housing	**1,645**	**2,756**	**1,178**	**596**	**778**	**112**	**7,065**	5,994
Operating surplus \(loss) on social housing lettings	**537**	**1,699**	**(476)**	**(257)**	**725**	**123**	**2,351**	3,183
Void losses	**(19)**	**(15)**	**(78)**	**(34)**	**-**	**(4)**	**(150)**	(68)

6 Units of housing stock

	Total 2025	Units Developed	Purchased from Registered Provider	Disposals	Transfers	Total 2026
Social housing:						
General needs social rent	**301**	6	-	-	-	**307**
General needs affordable rent	**448**	6	-	-	-	**454**
Sheltered housing affordable rent	**54**	90	-	-	-	**144**
Intermediate rent	**24**	-	-	-	-	**24**
Shared ownership	**267**	-	5	(2)	(4)	**266**
Social leaseholders	**89**	-	-	-	3	**92**
Foyers	**36**	-	-	-	-	**36**
Social housing owned	**1,219**	**102**	**5**	**(2)**	**(1)**	**1,323**
Non-social housing:						
Managed freeholders	17	-	-	-	1	**18**
Market rented	17	-	-	-	-	**17**
Total owned and managed accommodation	**1,253**	**102**	**5**	**(2)**	**-**	**1,358**
Social housing managed by other associations	-	-	-	-	-	**-**
Total	**1,253**	**102**	**5**	**(2)**	**-**	**1,358**

		2026	2025
Units under construction: Commitments contracted	Houses		-
	Flats	**-**	12
	Sheltered	**-**	90
Units under development: Commitments approved but not contracted	Houses	**-**	-
	Flats	**-**	-
		-	102

7 Operating Surplus

	2026 £'000	2025 £'000
This is arrived at after charging:		
Depreciation of housing properties:		
- annual charge	**2,446**	1,825
- accelerated depreciation on replaced components	**99**	175
Auditor's remuneration (including VAT):	**40**	36
Management fee to mhs homes limited	**893**	805

8 Surplus on disposal of fixed assets

	2026 £'000	2025 £'000
Staircasing on shared ownership properties:		
Disposal proceeds	**625**	796
Cost of disposals	**(442)**	(519)
Transfers to recycled capital grant fund	**(54)**	(53)
Legal and other fees	**(3)**	(3)
Surplus on sale of fixed assets	**126**	221

9 Interest receivable

	2026 £'000	2025 £'000
Interest receivable	**6**	9
Total interest receivable	**6**	9

10 Interest and financing costs

	2026 £'000	2025 £'000
Bank loans and overdrafts	**2,224**	2,011
Recycled capital grant fund	**-**	3
Amortisation of issue costs	**31**	30
Arrangement fees	**14**	88
	2,269	2,132
Interest capitalised on construction of housing properties	**(237)**	(230)
Total interest costs	**2,032**	1,902
Capitalisation rates used to determine the finance costs capitalised during the year	**2.7 - 4.3%**	**2.7 - 4.3%**

11 Tangible fixed assets: Housing properties

	General Needs completed £'000	Shared Ownership completed £'000	General Needs under construction £'000	Total £'000
Cost or valuation:				
At 1 April 2025	**124,772**	**23,586**	**34,699**	**183,057**
Additions:				
- construction costs	-	-	7,875	7,875
- acquired from other registered providers	-	587	-	587
-works to existing properties	548	-	-	548
Completed schemes	42,574	-	(42,574)	-
Disposal under Staircasing	-	(465)	-	(465)
Disposal of replaced components	(263)	-	-	(263)
At 31 March 2026	**167,631**	**23,708**	**-**	**191,339**
Depreciation:				
At 1 April 2025	**11,657**	**1,624**	**-**	**13,281**
Charge for the year	2,255	191	-	2,446
Eliminated under Staircasing	-	(23)	-	(23)
Disposal of replaced components	(164)	-	-	(164)
At 31 March 2026	**13,748**	**1,792**	**-**	**15,540**
Impairment:				
At 1 April 2025	467	233	742	1,442
Transfer to completed	742	-	(742)	-
At 31 March 2026	**1,209**	**233**	**-**	**1,442**
Net book value at 31 March 2026	**152,674**	**21,683**	**-**	**174,357**
Net book value at 31 March 2025	112,648	21,729	33,957	168,334

11 Tangible fixed assets: Housing properties (continued)

The group considers schemes to represent separate cash generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2018, along with individual properties where appropriate. No impairments were recognised in the year (2025: £nil).

The estimated value in use of the social housing stock is £141 million (2025: £130 million).

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

	2026 £'000	2025 £'000
Freehold	**172,815**	166,772
Long leasehold	**1,542**	1,562
	174,357	168,334

Interest capitalisation		
Interest capitalised in the year	**237**	230
Cumulative interest capitalised	**3,320**	3,083

Works to properties		
Improvements to existing properties capitalised	**548**	836
Major repairs expenditure to income and expenditure account	**948**	711
	1,496	1,578

12 Investment properties: Market Rent

	Completed £'000	Under Construction £'000	Total £'000
At 1 April 2025	3,187	-	3,187
Revaluation	202	-	202
At 31 March 2026	**3,389**	**-**	**3,389**

Investment properties consist of market rented properties. Investment properties are measured at fair value determined by external valuers in March 2026. The surplus on revaluation of investment property arising of £202,000 (2025: loss of £457,000) has been charged to the Statement of Comprehensive Income for the year.

The fair value calculation was based on an at an opinion of Market Value on the Special Assumption of Vacant Possession. To determine this comparable evidence was collected at the micro-market level of similar properties offered for sale and completed transactions for similar properties to the subjects over the last 12 months.

12 Investment properties: Market Rent (continued)

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2026 £'000	2025 £'000
Historic cost	**3,407**	3,407
Accumulated depreciation	**(612)**	(562)
	2,795	2,845

13 Other investments

	2026 £'000	2025 £'000
Other Investments	**185**	185
	185	185

14 Debtors

	2026 £'000	2025 £'000
Rent and service charge arrears	**572**	727
Less: Provision for doubtful debts	**(192)**	(319)
	380	408
Grant receivable	**-**	-
Other debtors	**273**	320
	653	728

15 Creditors: amounts falling due within one year

	2026 £'000	2025 £'000
Deferred capital grant	**214**	209
Rent and service charges received in advance	**229**	136
Accruals and Deferred income	**1,486**	702
Other Creditors	**34**	26
	1,963	1,073

16 Creditors: amounts falling due after more than one year

	2026 £'000	2025 £'000
Loans (Note 17)	**59,391**	49,361
Deferred capital grant (Note 18)	**19,111**	18,822
Recycled capital grant fund (Note 19)	**198**	156
Amounts owed to group undertakings (Note 17 & 22)	**12,010**	18,373
Sinking fund balances	**1,329**	1,057
	92,039	87,769

17 Loans and borrowings: maturity of debt

	2026 £'000	2025 £'000
Loans	**60,000**	50,000
Less issue costs	**(609)**	(639)
	59,391	49,361

Maturity of debt	2026 £'000	2025 £'000
In more than five years	**72,010**	68,372
	72,010	68,372

The debt in Heart of Medway is comprised of the private placements noted below. The interest rates are all fixed for the duration of the loans.

- £10 million due in 2038 @ 3.68%
- £20 million due in 2055 @ 2.67%
- £30 million due in 2044 @ 6.01%

mhs homes has provided an intercompany loan that stands at £12.0 million (2025 : £18.4 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.

18 Deferred capital grant

	2026 £'000	2025 £'000
Opening balance	**19,031**	18,723
Less: Transfers from\(to) recycled capital grant fund	**12**	(19)
Grant amortised	**(214)**	(209)
Grant received	**496**	536
	19,325	19,031
Less: deferred capital grant falling due within one year	**(214)**	(209)
	19,111	18,822

19 Recycled capital grant fund

	£'000
At 1 April 2025	156
Net transfers to deferred capital grant fund (note 18)	(12)
Transfers from disposal of fixed assets (note 8)	54
Interest accrued (note 10)	-
At 31 March 2026	**198**

20 Non-Equity Share Capital

	2026	2025
At 1 April	**8**	8
Shares issued in the year	**2**	1
Shares cancelled in the year	**-**	(1)
At 31 March	**10**	8

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled, and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

21 Capital commitments

	2026 £'000	2025 £'000
Construction		
Commitments contracted but not provided	**-**	8,751
Commitments approved by the Board but not contracted	**-**	-
	-	8,751
Capital commitments for the association will be funded as follows		
Social housing grant	**-**	495
Loans	**-**	-
Sale of properties	**-**	-
Reserves	**-**	8,256
	-	8,751

22 Related party disclosures

The Board includes one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £4,651.08 (2025: £4,513.56) and the tenant had a nil arrears balance at the 31 March 2026 (31 March 2025: £502.13).

The ultimate controlling party of the association is mhs homes limited a registered charity incorporated under CA2006 registered in England & Wales whose financial statements are available from the association's registered office at Broadside, Leviathan Way, Chatham, Kent ME4 4LL.

Transactions with non-regulated entities

mhs homes provides management services, other services and loans to Heart of Medway. The quantum and basis of those charges is set out below.

	Management charges		Interest charges	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
mhs homes	**893**	805	**-**	-

Intra-group management charges
Intra-group management fees are payable to the parent organisation, mhs homes. A fixed charge per unit is agreed on an annual basis.

Intra-group interest charges and loan (see note 17)
Interest is charged on the loan provided by mhs homes to Heart of Medway in accordance with the loan agreement. The total facility is £30m and the loan agreement was last revised and approved by both organisations in 2025.

Entity granting loan	Entity receiving loan	Opening balance £'000	Movement £'000	Closing balance £'000
mhs homes	Heart of Medway	18,373	(6,363)	12,010

23 Contingent liabilities

Heart of Medway receives grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. Heart of Medway has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2026, the total value of grant received in respect of these properties that had not been disposed of was £33.0 million (2025: £32.5 million). As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

Total Social Housing Grant received or receivable to date is as follows:

	2026 £'000	2025 £'000
Total Social Housing Grant received or receivable to date	**33,028**	32,533
Less: Deferred Grant (note 18)	**19,111**	18,822
Contingent Liability	**13,917**	13,711