100 YEARS

Financial Statements

2024 / 2025

midland heart

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Financial Statements

The last 12 months have undoubtedly been the most joyful of our six-year plan. We celebrated our centenary, and we were joined by friends, colleagues and tenants to celebrate the evolution of social housing in the Midlands, our leading role in that story and how we plan to continue to grow and develop over the next 100 years.

We completed our corporate plan, Making What Matters Brilliant, achieving everything we said we would, including delivering 4,000 homes across the Midlands and increasing tenant satisfaction to 79%. We recently launched our new corporate plan outlining our plans to deliver more affordable homes and invest c£60million per year to improve the quality of our existing homes. Quite the achievement!

This ambitious home improvement programme is prefaced by a modernisation pilot we completed in Birmingham. We targeted 45 of our oldest and least energy efficient homes and completed extensive refurbishments, taking tenant feedback into account to ensure we turned their houses into homes to be proud of. The learnings from this pilot will form the basis for our larger programme of investment to 2030.

Through our incremental approach to retrofit, we have made vast improvements to our homes more widely, with 99.9% now at EPC D, and 79% at EPC C, helping us to minimise fuel poverty and maximise the comfort of our tenants.

Despite economic and social challenges, we've worked hard to ensure we remain financially resilient, and our resources are balanced in meeting the needs of our existing and future tenants. We've also secured competitive loans from our investor partners, totalling c£450million (2019-2025) that have helped us to achieve our strategic goals.

I'm also proud to say that our reputation in the sector has never been higher. In our recent inspection by the Regulator of Social Housing, we were awarded the highest possible gradings of G1, V1, demonstrating strong governance and financial viability, and C1, reaffirming that we take an active approach to delivering services for our tenants. The Regulator also found that we provide an 'efficient, effective and timely' repairs service, and are proactive when it comes to making changes to improve services.

These scores, combined with our A1 credit rating from Moody's, not only position us as a leading housing association within our sector, they give our tenants greater confidence in us as a landlord and reassures them that if things go wrong, we have the means to put them right.

This is an exciting time for Midland Heart. I feel energised to work with the team to build on this high standard and achieve even greater outcomes for our tenants and colleagues. Both groups have inputted into our new corporate plan, Tenants at Heart, and their ideas and suggestions are reflected throughout. I look forward to updating you as we progress and reach every key milestone within Tenants at Heart.

Llewellyn Graham
Chair

FOREWORD FROM THE CHIEF EXECUTIVE

Reflecting on the last 12 months, and more broadly the last six years of our corporate plan, I am proud of how our organisation has delivered for our tenants, stayed ahead of significant changes and responded to major challenges.

> **"In the last 12 months, we have delivered over 800 new affordable homes, the most we have ever delivered in a single year, which contributed to us achieving our target of 4000 homes built or acquired between 2019-2025."**

Glenn Harris MBE
CHIEF EXECUTIVE, MIDLAND HEART

Back in 2019, we committed to making what matters brilliant for our tenants, including delivering new homes, improving the responsiveness of the services we provide, reducing the cost of heating our homes and creating new more tenant-friendly ways to manage their tenancies.

Six years on, we can confidently say we have delivered on all of these objectives and more, and are recognised by the regulator, our partners and our peers as a sector-leading landlord, who delivers excellent services for tenants.

Our tenants continually tell us that the safety of their neighbourhoods is a key priority. This priority is also echoed in the new consumer regulations. However, many of the issues that our tenants' concerns centre around are not things we can solve independently. That is why we have created the first All-Party Parliamentary Group on Anti-Social Behaviour to bring together many of the agencies needed to make a meaningful difference to not just our neighbourhoods, but to many across the country. We have also invested c£1.8million to modernise our CCTV systems, enabling us to respond to issues in real time, to detect and deter crime and keep our tenants safe.

In the last 12 months, we have delivered over 800 new affordable homes, the most we have ever delivered in a single year, which contributed to us achieving our target of 4,000 homes built or acquired between 2019-2025. At times, this ambitious target felt like it would be difficult to achieve, particularly when faced with a global pandemic and a war in Ukraine that had a profound impact on our supply chain. However, our plan, finances and people remained resilient, and we were still able to keep our promise to deliver 4,000 much-needed homes for the region.

We have spent the last few years simplifying our portfolio to better focus on our core purpose as a landlord of general needs homes. This has included a large transfer of our Retirement Living Plus schemes, to a specialist Retirement Living and Extra Care provider dedicated to providing services and accommodation for older people, and more bespoke development opportunities for colleagues. The resources from this sale will be helpful in achieving the aims of our next corporate plan to 2030.

Over the last six years, we have seen the impact that co-creating our services with tenants can have. That is why our new corporate plan, Tenants at Heart, has been co-created over the last two years with our tenants. It is not merely shaped by our tenant voice; it is our tenant voice.

Over the next five years, we plan to make a record £300 million investment in our existing homes, including a variety of retrofit measures to improve energy efficiency and minimise the risk of damp and mould. We will also be looking at some of our oldest properties, the majority pre-Second World War homes, to improve their security, accessibility, safety and overall aesthetic to ensure they are fit for modern living and as comfortable as possible for tenants.

These priorities and our new corporate plan have been co-created by our tenants, our stakeholders and our colleagues. I want to thank everyone, especially our involved tenants, for their hard work in creating our most ambitious corporate plan to date, Tenants at Heart.

As always, our focus has been and will continue to be our tenants and their homes. Our recent G1, V1, C1 award from the Regulator has given us a great foundation to build and improve upon, taking this momentum into our next plan and beyond.

G.W.Harris

Glenn Harris MBE

STRATEGIC ANNUAL REVIEW

We have marked our 100-year anniversary at Midland Heart by delivering a strong set of results for tenants as we conclude the final year of our 'Making What Matters Brilliant' corporate plan (2019-25). During 2024/25, we were also assessed by the Regulator for Social Housing (RSH) and achieved their **highest ratings on consumer (C1), viability (V1) and governance standards (G1). This sits alongside our A1 credit rating from Moody's.** This puts us amongst the best in the sector in relation to the core fundamentals. **In 2024/25, we have achieved record levels of performance on many fronts.**

Alongside this, we have co-produced our new corporate plan with tenants, colleagues and stakeholders, **'Tenants at Heart' corporateplan.midlandheart.org.uk,** which will take us to 2030. Our whole focus will be to put our tenants at the heart of all we do. To further sharpen our purpose, our new vision is to:

'Provide quality, affordable homes across the Midlands.'

Our legacy since 1925 has always been to provide safe, well maintained and affordable homes, and this continues to be the essence of who we are and what we do. Without question, investing in our existing homes is the number one priority for our tenants.

Our final year of our corporate plan 'Making What Matters Brilliant' has demonstrated our continued commitment to simplifying the business, and investing significantly in the quality of our existing and new homes, energy efficiency, and frontline services, as well as our digital offer to tenants.

We have continued to deliver a robust set of operational and financial results amidst a challenging operating and macro-economic environment, with the sector facing unprecedented change as new regulations and legislation are introduced and begin to embed.

OUR KEY HIGHLIGHTS

Continued simplification of our business to core rented accommodation with the **sale of 1,567 Extra Care homes (23 schemes) to Housing 21** as well as the lease or sale of the vast majority of our Supported Living portfolio.

We built a record **813 new homes in 2024/25** (target 806), bringing the **total to 3,754** (target 3,750) across the corporate plan period. Our highest level of capital investment on both new and existing homes.

We continue to improve on our **Tenant Satisfaction Measures (TSMs)** scoring **78.7% for overall satisfaction** (76.6% 2023/24) and **80.3% for repairs satisfaction** (78.6% 2023/24) with low cost rented accommodation.

We have delivered our **largest ever programme of home upgrades,** including new kitchens, windows, roofs and bathrooms and completed 99% stock condition surveys within five years.

We made significant strides in improving the energy efficiency of our homes. **79% of our properties** are now registered at **EPC band C,** with **99.9% at band D.**

Despite the cost of living challenges and a new court ruling on Universal Credit, **rent arrears** ended the year at a **record low of 4.15%.**

We generated a record sales **surplus of £2.6m** from sales of 204 Shared Ownership units.

Repairs completed on time (TSM) increased significantly from 82.2% in 2023/24 to **88.1%** in 2024/25.

We continue to remain fully compliant achieving **100% on our building safety TSMs.**

Our **re-let days** are amongst the best in the sector at **18.3 days.**

Operating Environment

The sector continues to be reshaped by the new consumer regulations (one year on), death of Awaab Ishak and media reporting on the poor condition of some social housing.

The Regulator for Social Housing continues to mould the sector using the new consumer regulations. Registered Providers must now have comprehensive information about their homes and the people who live in them; and use this to shape their services. Likewise, the Housing Ombudsman Service (HOS) is using its expanded remit to not only hold landlords to account, but to publish a plethora of reports and best practice guidance, which landlords need to show they are using to shape and improve their responses to complaints.

There has been confirmation of the requirements and implementation of Awaab's Law. With requirements around reported damp and mould and remediation coming into force in October 2025, and staggered implementation for other requirements ending in 2027 the sector will have to continue to invest significantly in its housing stock to ensure it is safe and secure.

The sector awaits the publication of the Competence and Conduct Standard, which is expected to require senior managers involved in 'housing management' to hold degree (or higher) level qualifications. The standard will also set requirements for landlords to make a more broader move to greater 'professionalisation' and a more tenant-centric culture.

The economic environment globally remains turbulent, higher prices are now 'baked in' to the sector, with many costs having increased well above headline inflation. Despite the government's stated mission of growing the economy, growth remains stubbornly low – a significant issue for the sector, government and wider economy.

The government has moved to devolve significant powers to regional mayors, with the West Midlands in line for the deepest level of devolution available. This includes strategic oversight of the Affordable Homes Programme in the region, offering an opportunity for landlords to genuinely shape the future of housing development.

CELEBRATING 100 YEARS OF MIDLAND HEART

In November 2024 at Birmingham Town Hall, we were joined by over 150 of our partners, peers, tenants, investors and stakeholders to celebrate our centenary and the progress we have made as an organisation in the last century.

We were also joined by guest speakers, Professor Carl Chinn MBE, who passionately reflected on the last 100 years of housing in Birmingham, and West Midlands Mayor, Richard Parker, who explored how organisations like ours can address the housing challenges that face us. Guest panellists, Emeritus Professor David Mullins, Deirdre LaBassiere, Gavin Smart and Martin Hilditch, then discussed the ways the sector can rise to these challenges and address the need for more decent, affordable and safe homes in our region.

As part of this celebration of our history, and our role in the development and provision of decent housing in the Midlands, we created a large exhibition. Modelled after one of our homes, it gave guests, and later colleagues in our offices, the opportunity to take a walk down memory lane and see the evolution of COPEC to Midland Heart, and how far we've come in the last 100 years.

OUR PERFORMANCE

Our financial resilience and underlying strength has allowed us to make record levels of investment in tenant and digital services, our frontline operations, new and existing homes, building safety and energy performance - fundamentally focusing on improving the quality of our homes.

The three fundamentals of our Making What Matters Brilliant strategy were:

- Being a top class landlord
- Building as many affordable homes as we can
- Being a great place to work and develop a career

C1, V1 & G1
Highest ratings from the Regulator of Social Housing

A1
A1 Moody's rating

£35m
Record planned capital works

100%
building safety compliance TSMs

79%
of our homes are EPC C or above

Installation of:

1,186
bathrooms

1,038
kitchens

1,260
boilers

c80%
Consistently high levels of customer and repairs satisfaction each year

813
new homes built

3,754
Homes built over 6 years (target 3,750)

4.15%
Arrears

204
Shared Ownership sales this year

£67.2m
Surplus

TENANTS AT HEART 2026-30

Our new corporate plan puts tenants at the heard of all we do, this will be delivered through four key pillars:

Homes that enable modern living

We will make record investment in our most challenging homes (c6,000 over the corporate plan). We know more than 75% of these are pre-war properties, which are our least energy efficient and in our most deprived wards. We will make these homes more affordable for tenants to maintain, improve the thermal comfort and help alleviate some of the challenges with fuel poverty. We will focus on moving these homes to at least EPC band C and improve the overall condition to meet tenant expectations and enable modern living. That's c£300m investment in our existing homes.

Dealing with repairs is overwhelmingly the key driver of overall tenant satisfaction. We want to deliver a faster, more responsive repairs services for our tenants, halving our target time for completions from 28 to 14 days.

Quality services and local impact

We remain focussed on providing high quality and tenant-centric services, while strengthening our approach to local neighbourhood management by having a greater frontline presence and impact in the local areas where we work. We will work with tenants, partners and statutory agencies to invest in local areas and work collaboratively to tackle tenant priorities.

This pillar also involves enhancing our digital offer and providing a greater breadth of digital services to tenants. Improving ease of access, convenience and transparency throughout the life of a tenancy will also be key.

Financial resilience and sustainable growth

To celebrate 100 years of Midland Heart, and following the success of Project 80 (our new build eco homes, the first provider to meet the Futures Homes Standard 2025), we will extend the concept to deliver Project 100, a net zero affordable housing community scheme of scale in the Midlands.

We will seek to deliver 2,250 homes to 2030, but will remain agile to the prevailing economic and political circumstances. This will mean we would have built 6,000 new homes in a decade.

One team working together for our tenants

The current national labour shortages will be amplified through the government's housing programme e.g. more new homes, Awaab's Law and Decent Homes 2. More colleagues, e.g. surveyors, will be needed on the frontline. To tackle this skills shortage, we will work with like-minded HAs, partners and the best regional education providers to develop the first housing regional skills academy in the Midlands. This will position housing for the brightest talent across our geography.

OPERATING AND FINANCIAL HIGHLIGHTS

Our surplus for the year of £67.2m has increased by £25.5m on the previous year. This increase is mainly driven by the one-off surplus on the sale of our 23 supported housing schemes. Midland Heart managed to increase its income from regulatory rent increases (CPI +1%) and new build properties to more than offset additional expenditure.

We have seen additional costs from the previous year due to high inflation, additional regulatory requirements and a drive to improve the standards of our tenants' homes. £108m was invested in new homes for customers, and almost £35m was invested in improving our existing stock. This is a total increase of 15% over the prior year as we continue to improve our homes.

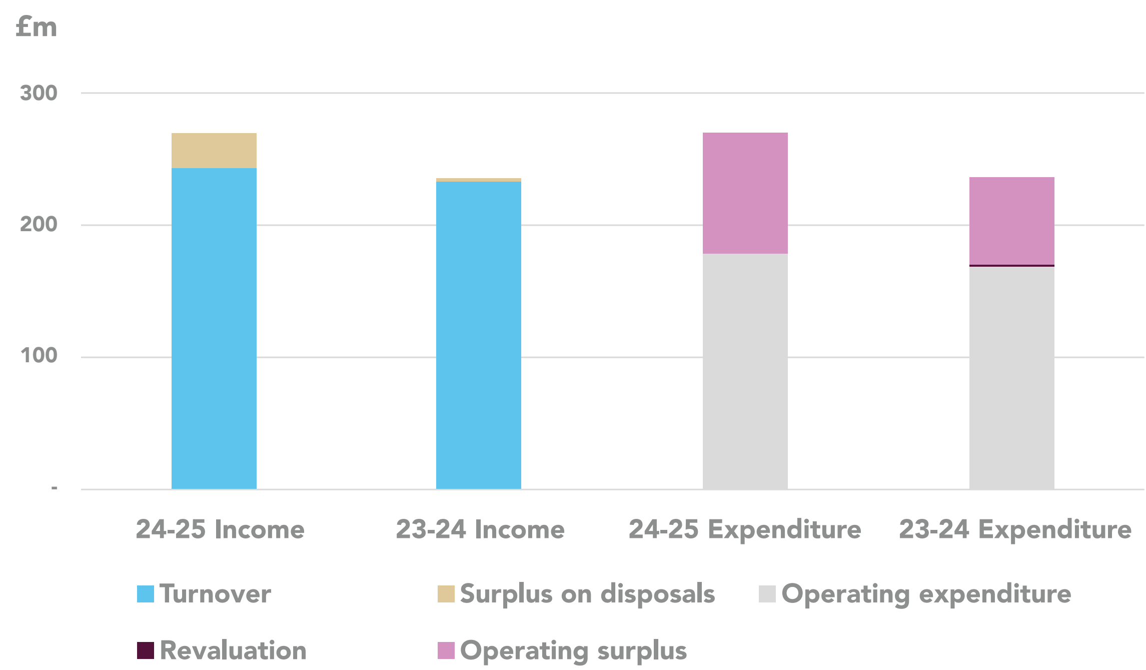
Financial performance	2025	2024
Turnover (£m)	243.1	231.9
Operating surplus (£m)	91.7	66.4
Operating margin (%)	26.6	27.0
Surplus for the year (£m)	67.2	41.8
Interest cover covenant (%)	372	291
Balance sheet		
Housing properties (net of depreciation) (£m)	1,880.9	1,898.5
Gearing (%)	39	43
Operational indicators		
Total housing stock	34,414	35,459
Customer satisfaction (%)	89	89
Current tenant arrears (%)	4.15	4.32
Average re-let time (days)	18.3	16.7
Repairs satisfaction (%)	90	92

	Turnover		Operating surplus	
	2025 £m	2024 £m	2025 £m	2024 £m
Social housing lettings	215.6	208.8	60.1	58.6
First tranche shared ownership	19.2	13.8	2.6	2.2
Charges to support services and other income	4.8	4.2	0.9	0.8
Disposal of fixed assets	-	-	27.4	4.3
Other social housing	1.9	3.5	-	0.1
Market rent	1.6	1.6	1.0	1.0
Surplus on revaluation	-	-	(0.3)	(0.6)
Total	**243.1**	**231.9**	**91.7**	**66.4**

Despite the ongoing challenges in our operating environment, we are pleased to report another strong set of financial results. Our strategic cost review highlighted several areas for improvement and delivered £5m of savings in the year, which helped offset some of the additional investment required in our existing homes. We are determined to provide homes that our customers are proud to live in while continuing to be committed to our financial discipline.

Net surplus
£91.7m

Our net surplus remains strong and improved by £25.4m from 2023/2024. This is principally due to the one off surplus from the sale of the 23 supported housing schemes to a specialist provider that further simplified the business. Outside of the sale, Midland Heart has managed to broadly cover the additional cost of inflation and greater investments in our properties within the increase in rent.



Investment in housing stock

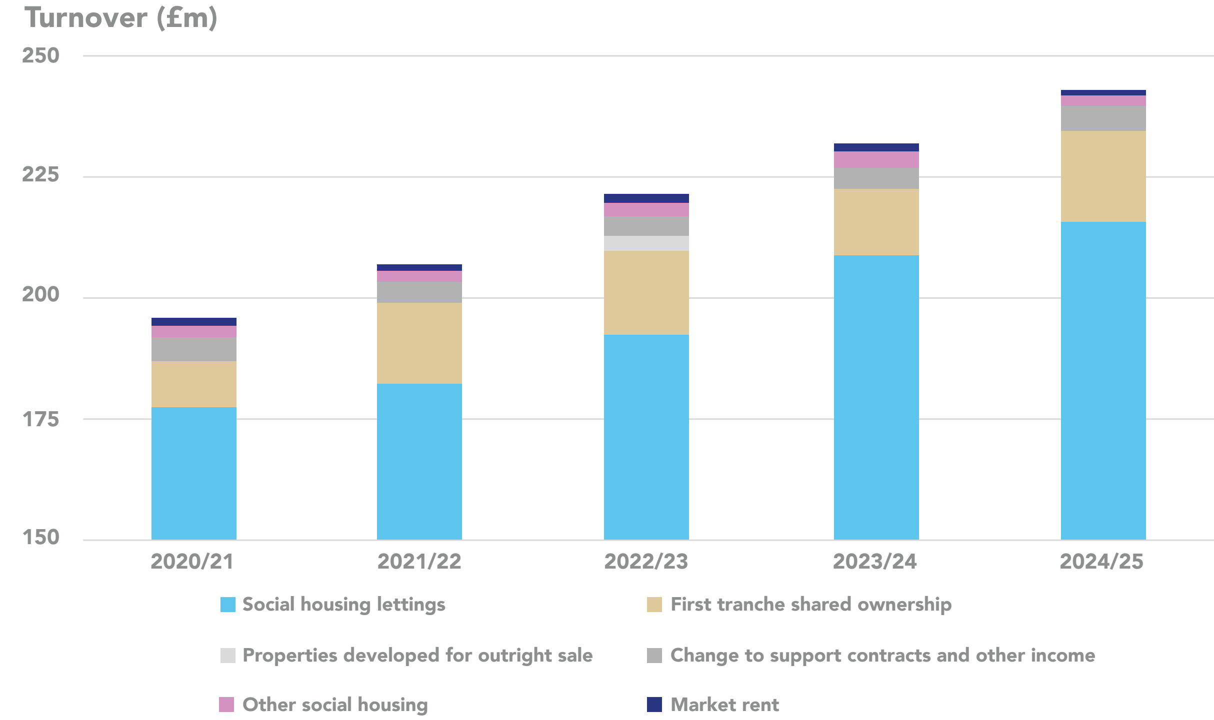
£148.7m

Midland Heart maintained its high level investment to ensure that it achieved its corporate plan target to acquire and build over 4,000 between 2020-25 and to get 99.9%of its housing stock to at least EPC D. This puts Midland Heart into a great position to continue building 2,250 new homes in the 2025-30 corporate plan, invest more in our existing properties and drive towards 100% of homes being a minimum of EPC C by 2030.

Turnover

£243.1m

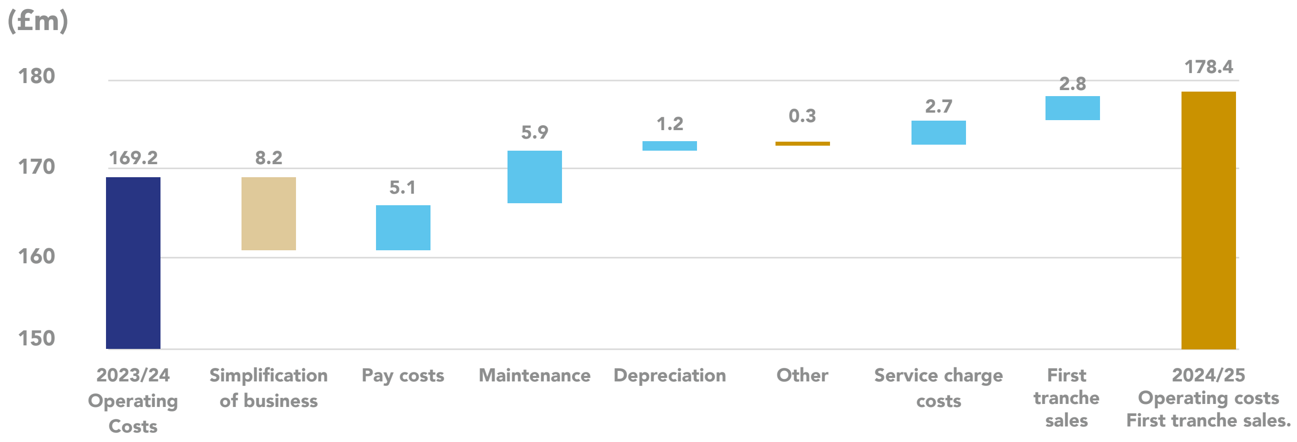
Turnover has increased by £11.2m, although there was a reduction in our number of properties over the year. This was due to the disposal of our supported housing schemes during the year. This was offset by a record number of new builds, first tranche shared ownership sales and a regulatory formula rent increase.



Operating costs

£178.4m

Operating costs have increased during the year by £9.2m. This is an increase of 5.4% over the prior year. The increase reflects rises in maintenance costs, salaries and volume-related shared ownership sales costs, however, some costs were reduced by disposals, leading to the simplification of the business in the year.



MAKING WHAT MATTERS *Brilliant* final year (2019-2025)

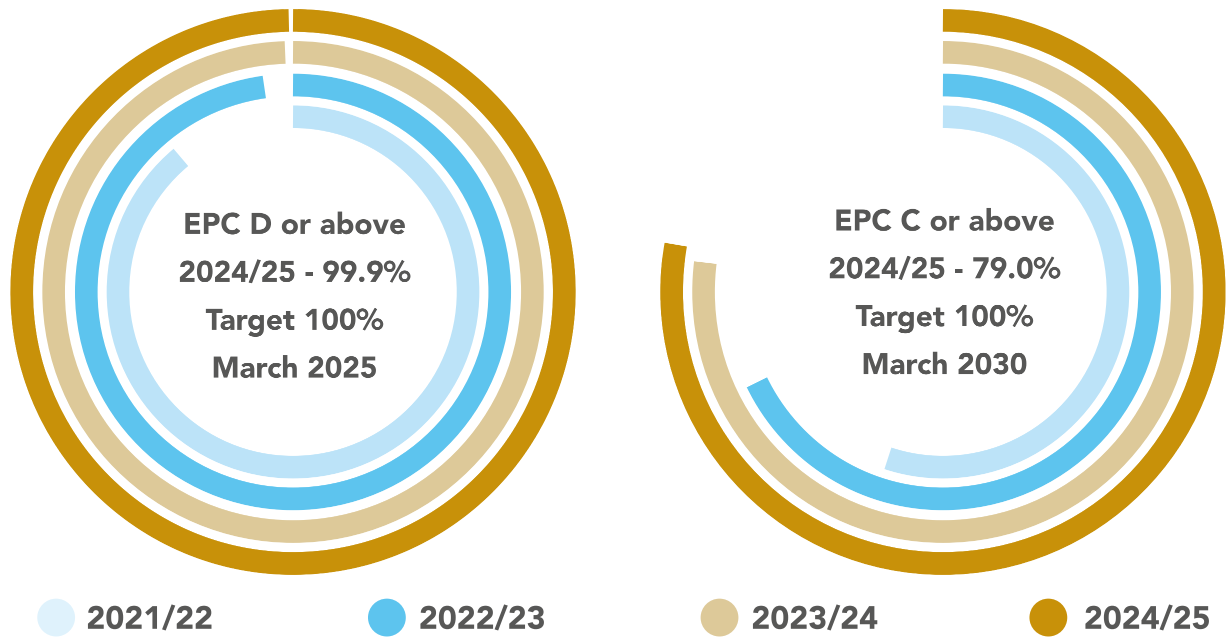
Our financial resilience and underlying strength have allowed us to continue to invest in tenant and digital services, our frontline operations, new and existing homes, building safety and energy performance. We have essentially been focusing on improving the quality of our homes.

We completed our sixth and final year of Making What Matters Brilliant in 2024/25. For each section of our corporate plan, we have set out our key deliverables and the outcomes we achieved with measures and targets.

INVESTING IN HOMES

Measure	2021/22	2022/23	2023/24	2024/25	2024/25 Target
Property investment spend	£26.4m	£29.5m (£97.1m over 4 years)	£39.9m (£137.0m over 5 years)	£45.3m (£182.3m over 6 years)	£120m over 6 years
Void loss %	1.29%	1.09%	0.98%	1.01%	1.01%
EPC (Energy Performance Certificate) ratings	89% are at a minimum of EPC rating of D, of which 55% are at EPC C.	98% are at a minimum of EPC rating of D, of which 68% are at EPC C.	99.7% are at a minimum of EPC rating of D, of which 77% are at EPC C.	99.9% of properties at a minimum of EPC rating D.	100% of properties at a minimum of EPC rating D.

We invested in excess of £180m over the six-year corporate plan period, spending £45.3m in 2024/25. We have delivered our largest ever programme of modernising our homes by replacing key components such as kitchens, bathrooms, windows and roofs. This will ensure that we can offer high quality homes to our tenants.



Within the year:

- We completed 1,186 bathrooms, 1,038 kitchens, 264 roofs and replaced 674 windows.
- Of our 264 new roofs completed, 151 had solar panels installed, showing a more integrated approached to planned investment.
- We achieved 99% stock condition surveys in five years in March (under 300 remain).
- We have significantly improved the EPC ratings of our properties during 2024/25, with 79% at EPC C or above, supporting our journey to ensuring all properties are above an EPC rating of C by 2030.
- Void loss was only 1.01%.
- We continued to simplify of our business to core rented accommodation with the sale of 1,567 supported housing homes (23 schemes) to Housing 21, as well as the lease or sale of most of our Supported Living portfolio.

SIMPLIFYING OUR OPERATIONS

SALE OF 23 SUPPORTED HOUSING SCHEMES

In line with our Board's vision to simplify our services and focus on our core purpose as a landlord of general needs rented homes, we completed a transfer of 23 schemes to Housing 21 in September 2024.

The transfer concerned 21 Extra Care Villages and two Sheltered Schemes in the West Midlands that are home to over 1,500 residents and staffed by 150 Midland Heart employees. An offer had been made by Extra Care and Retirement Living provider, Housing 21, for these schemes, which was provisionally accepted by our Board subject to tenant and colleague consultations.

We believed that transferring these schemes to a specialist Extra Care and Retirement Living provider, whose sole focus is to provide high quality housing, care and services for older people, was in the best interest of our tenants, and would offer colleagues more opportunities to develop within their chosen careers.

The transfer, which was one of the largest to have been undertaken in our sector, has given us valuable additional resource to make our next corporate plan our most ambitious yet. The resources will be directed back into the organisation, enabling us to continue to build new, affordable homes that are needed in the Midlands, and invest in our existing homes.

ADDRESSING DAMP AND MOULD

We are committed to providing our tenants with warm, safe and affordable homes, and prioritising properties that are the least energy efficient, as well as tenants who are in fuel poverty.

As part of this vision, we are substantially increasing investment in our homes to over £300m between now and 2030. This is in addition to the £134m we have already invested over the last five years. We have also set our sights on improving the EPC rating of around 6,000 of our homes from band D to band C by 2030.

We are one of the first housing associations to establish a specialist team to deal with damp and mould. We are proactively using data and preventative measures, such as sensors, and engaging with tenants to deliver on our objectives from a long-term perspective.

Consistently engaging with our tenants is central to us proactively dealing with damp and mould issues. It has resulted in us developing a detailed scrutiny report and focus group action plan and conducting an Equality Impact Assessment on our damp and mould policy to make sure all tenants are being treated fairly. At the same time, we are continuously training our staff involved in managing damp and mould and maintaining a zero tolerance approach that has been recognised as being industry-leading.

MODERNISING
OUR HOMES PILOT

With the highest proportion of pre-war homes of any housing association in the UK, we face a unique challenge to bring them up to today's living standards and make them fit for modern living.

These homes are some of the least energy efficient of our portfolio, and as we continue to make great progress levelling up our homes to at least EPC band C by 2030. We are now intently focused on upgrading our oldest homes to make them more comfortable to live in and more affordable to heat.

We are confident we can make a real difference to the thermal comfort and aesthetic of these homes, and are encouraged by our 'modernisation pilot', completed in 2024. This pilot saw c50 homes extensively refurbished, with new kitchens and bathrooms fitted, walls decorated, and triple glazing installed to reduce heat loss and keep energy bills low.

We want to build on the knowledge we have gained through this pilot and improve our homes on a wider scale. Over the course of our new corporate plan, Tenants at Heart, we plan to make a record £300million investment in our oldest homes, a quarter of which will be retrofitted to improve their energy efficiency, and the rest will receive a variety of home upgrades, including new kitchens and bathrooms.

SERVICE FIRST

Measure	2021/22	2022/23	2023/24	2024/25	2024/25 Target
Tenant satisfaction (post-transaction)	89%	89%	89%	89%	85-90%
Repairs satisfaction (post-transaction)	91%	91%	92%	91%	90-95%

We want to ensure we deliver the best service we can to our tenants, exceeding their expectations and proactively dealing with their issues.

Within the year:

- We continue to improve on our Tenant Satisfaction Measures (TSMs) scoring 78.7% for overall satisfaction (76.6% 2023/24) and 80.3% for repairs satisfaction (78.6% 2023/24) with low cost rented accommodation.
- Repairs completed on time (TSM) increased significantly from 82.2% in 2023/24 to 88.1% in 2024/25.
- We are doing more to tackle ASB through engaging with tenants on improving CCTV security arrangements across more than 70 schemes.
- We achieved our lowest ever arrears at 4.15% despite the cost of living challenges.
- We received 30,758 applications from prospective tenants through our lettings portal last year for 770 adverts for our homes. This demonstrates the continued high levels of demand for our homes.

TENANT SATISFACTION MEASURES

ONE YEAR ON

We work in some of the most challenging, deprived urban neighbourhoods with some of the most diverse communities in England. We also know our homes are ageing, with one-third around 100 years old.

2024/25 was the second year we've collected and reported TSM (Tenant Satisfaction Measures) performance following their introduction by the Regulator of Social Housing in 2023/24. A total of 12 of these relate to tenant perceptions and ten relate to management information. This further enriches the tenant insight work we undertake through our tenant scrutiny work and post-transaction tenant satisfaction programmes. Key headlines:

- Overall satisfaction among our low cost rented accommodation tenants was 78.7%, an increase of 2.1% since 2023/2024 (76.6%). This represents around 27,500 homes.
- Overall satisfaction among our low cost homeowners was 53.5%, an increase of 1.1% since 23/24 (52.4%). This represents around 2,200 homes.
- Encouragingly, all but two measures across low cost rented accommodation showed increases in performance in 2024/25. The highest performing measure is around treating tenants fairly and with respect (83.0%), this is followed by 82.7% for providing a home that is safe.
- All but three of our low cost homeowners' measures have also experienced increases in performance in 2024/25. The measure around us providing a home that is safe (76.5%) is the highest performing measure across homeowners.
- Our overall results compare favourably across our benchmarking group (see VFM section on page 40).

We continue to use the feedback to shape and improve our services. Key interventions are included throughout this report as case studies.

CCTV SYSTEM INVESTMENT

To deter and detect crime and anti-social behaviour around our schemes and properties, our CCTV network and system upgrade was completed at the end of 2024 following a consultation with almost 3,500 tenants.

This £1.8m investment covers over 70 of our sites and has significantly modernised our CCTV offering, with a move to fully integrated digital systems and live monitoring, managed by an experienced, dedicated team based at our East Midlands Hub facility in Hinckley.

Throughout the past year, our CCTV network has played a key role in supporting with the investigation of various incidents, including fly-tipping, unusual behaviour and vehicle nuisance in specific areas of the region. We have also been promoting our work through a variety of case studies on our website that allow our tenants to see the actions being taken, and the results achieved, as part of our localised communications.

HOMECHECKER

CONTINUING TO PROVIDE FIRST LINE ASSURANCE

Our online HomeChecker form is our single most important frontline risk assessment, providing ongoing assurance that our properties are safe, secure, and well maintained when colleagues visit a property.

HomeChecker scores properties from 1 to 4 and has continued to play a key role in proactively spotting any concerns as we continue to better support our tenants and deploy appropriate resources, especially where high risk issues are uncovered, including around safeguarding and wellbeing.

During the past financial year, our colleagues completed 93,887 HomeChecker forms. Since the launch in August 2022, the total number of completed forms stands at 239,953 at March 2025.

MANAGING OUR NEIGHBOURHOODS

AND ANTI-SOCIAL BEHAVIOUR

We have been proactively mapping cases of Anti-Social Behaviour (ASB) to identify the most high risk areas and prioritise our support accordingly. This activity forms part of our wider efforts to create balanced and sustainable communities by working closely with key partners, including the police and councils, to make a positive impact on local neighbourhoods.

Our work so far has generated numerous positive outcomes. This includes: upgrading our CCTV systems; tackling 150 of our most challenging general needs schemes; conducting HomeChecker assessments; appointing a specialist team to handle ASB cases; making our ASB services easier to access and working in partnership with local organisations to tackle ASB, domestic abuse and hate crime.

We are also leading the national policy agenda. We have set up an All-Party ASB Parliamentary Group with Shaun Bailey MP. The group's final report foreword received cross-party MP support, with the actual report prompting a Parliamentary question that was raised in the House of Commons. We will continue to work with Revolve to promote the report.

We help vulnerable tenants stay in their homes by offering tenant-focused support, working in collaboration with local authorities and providing a financial helping hand via our Money Advice Service and Tenant Hardship Fund. During the year, £26,000 was provided to tenants to support with fuel costs, £2,000 was issued in food and shopping vouchers and £55,000 was spent on white goods and other items.

SUPPORTING VULNERABLE TENANTS

TO SUSTAIN TENANCIES

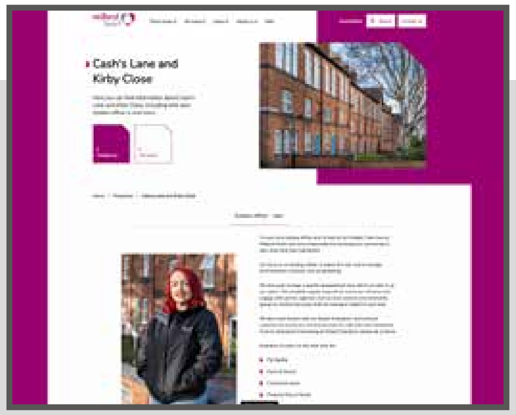
Meanwhile, we continue to promote safeguarding and property condition as everyone's responsibility when visiting our homes – all activity is reported on our online HomeChecker system.

We have also identified a cohort of tenants who have experienced recurring damp and mould over several years, despite there being no structural issues with their properties. We are contacting these tenants to help them on a wider scale as part of our Healthy Homes study.

At the same time, making sure tenants are protected against the risk of fire remains a key priority. We work closely with our primary authority partners to identify vulnerable residents, who receive Safe and Well checks from the local fire service, as well as wider practical guidance and support.

PROVIDING LOCAL TENANT COMMUNICATIONS

Delivering tenant communications at a local level is pivotal to improving tenants' overall experience and enabling us to deliver more proactive landlord services. As part of this vision, we recently ran a five-month pilot programme, which involved us sending in the region of 5,700 texts to tenants living in 672 homes across six pilot areas.



During the pilot, tenants received an average of one proactive text a week per area about issues, including communal repairs, graffiti and fly-tipping. Web pages were also created for each of the pilot schemes, which were aimed at signposting tenants to their local Estates Officer and local communal services schedules.

Over the course of the pilot, phone calls coming into our Hub increased 7.6% to 58,046 in Q1 2024/25. During the same period, phone calls to our Hub from tenants in our pilot areas decreased by 27.7% to less than 600 calls in Q1 2024/25. We intend to build upon the success of this pilot activity by rolling out localised communications across the rest of our operating area via a phased approach.

DELIVERING BALANCED AND SUSTAINABLE COMMUNITIES

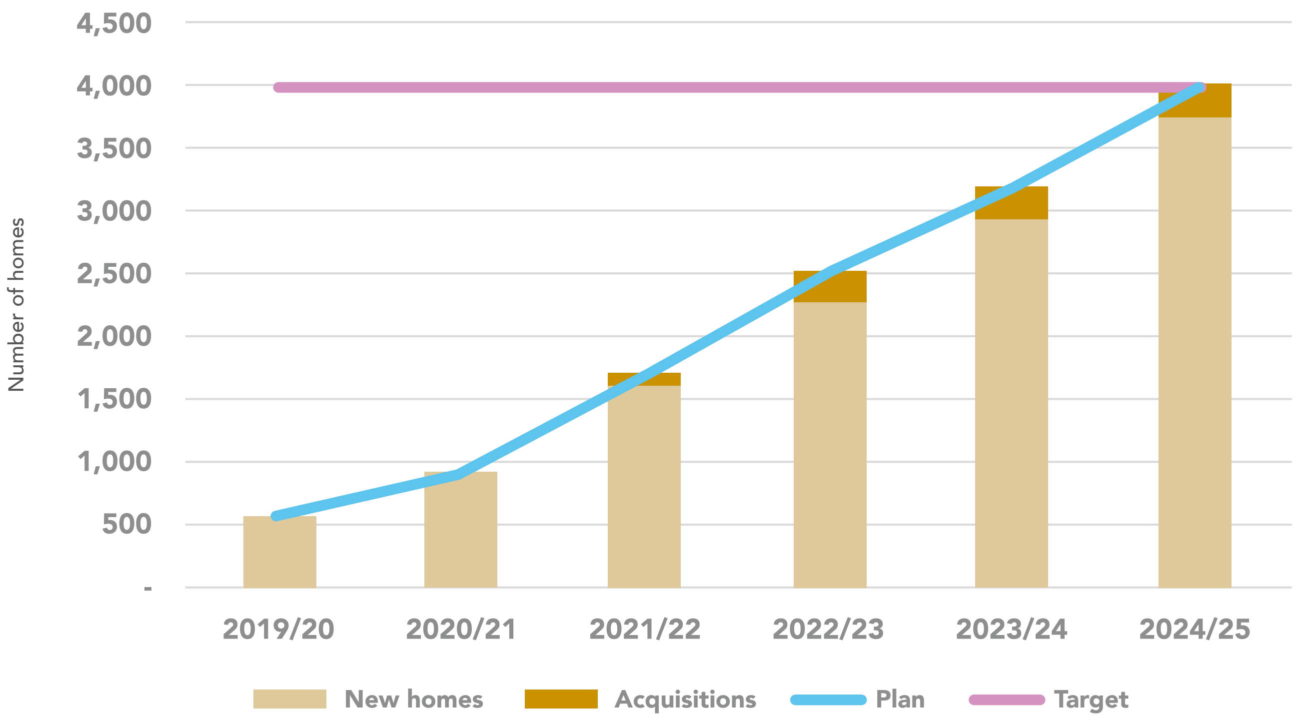
Improving the homes and neighbourhoods our tenants call home by supporting balanced and sustainable communities formed a central part of our Making What Matters Brilliant corporate plan. We identified 150 locations where crime, ASB and tenancy turnover were higher than the baseline for our schemes.

We proactively tackled these core behavioural problems through tenancy enforcement action. This involved investing in the security and appearance of communal areas and implementing local lettings plans to make sure communities were balanced in line with tenants' needs. A wide range of work, including CCTV, improved security doors and gates, landscaping and internal flooring and decorating, was also carried out. In addition, we amended our housing allocation policy to give us greater flexibility in the way homes were allocated.

A total of 1,250 tenants were positively impacted by this work. Other notable results include: safeguarding/wellbeing concerns reducing by 66% and £5.8million being invested and more than £500,000 being saved through reduced communal repairs and reductions in void loss. We also reported several positive Tenant Satisfaction Measure results, which include an 8% gain in the number of tenants who believe we are making a positive contribution to their neighbourhood.

GROWTH AND PARTNERSHIPS

Measure	2021/22	2022/23	2023/24	2024/25	2024/25 Target
New homes built since 2019/20	1,620	2,271	2,941	3,754	
Acquisitions since 2019/20	82	255	257	257	
Total	**1,702**	**2,526**	**3,198**	**4, 011**	**4,000**



Through our Housing Delivery Strategy to build and acquire over 4,000 new and acquired homes by 2025, we are committed to playing our part to challenge the national housing shortage.

- We built 813 new homes in 2024/25, which means we have delivered 3,754 homes since the start of the corporate plan, despite the challenges of global supply issues, price increases, contractors and planning delays, and;
- There were 204 shared ownership sales, which generated record sales receipts of £19.2m.

PORT LOOP

We are continuing to deliver on our commitment to provide more homes for local people, which includes building 124 social and affordable homes at the Port Loop development in Ladywood, Birmingham.

These homes will be built over the next two years next to the Birmingham Canal Old Line, off Icknield Port Road, as part of the project, which we are helping turn into reality in collaboration with Keon Homes and Cameron Homes.

The high quality, energy efficient properties will comprise a mix of two-, three- and four-bedroom homes, as well as a small apartment block, with the latest phase of work set to cost £35million. Once complete, we will manage the properties, which will be made up of 103 social rent and 21 shared ownership homes.

PEOPLE FOCUSED

Measure	2022/23	2023/24	2024/25	2025/26 Target
Voluntary turnover	14.9%	13.1%	12.2%	<15.0%
Time lost due to sickness	2.3%	2.6%	2.9%	<3.0%
Colleague engagement	81%	79%	82%	>80%

Summary:

One of our objectives during Making What Matters Brilliant was to be a really great place to work. The aim being to be a place where people choose to join and remain to develop & grow their careers. At the end of the strategy, we delivered our highest ever colleague engagement and lowest colleague turnover metrics. This has been achieved through listening to our colleagues about the things that matter to them and working with them and tenants to inform and shape our priorities.

Over 90% of our tenants, who are satisfied, tell us that our colleagues conduct themselves professionally; ensuring our tenants are treated with honesty, empathy, respect and feel listened to. This provides a strong platform upon which we can build in our new corporate plan as we embed the Midland Heart mindset to further improve the tenant and colleague experience.

DISABILITY

"MAP will mean that colleagues will only need to tell their story once, which will be very beneficial and provide colleagues with peace of mind."

- Liberty member

Since 2019, we have seen an increase in the representation of disabled colleagues from 6% to 13%. This has been achieved through a mixture of recruiting more disabled colleagues, collaboration between our disability network and the Talent Team to identify and remove barriers for disabled people during the recruitment process, and more colleagues telling us they have a disability, which resulted in an increase of data completion from 17% to 83%.

We continue to work with Liberty, our disability network, and have recently scoped out a 'My Adjustment Pass', which will act as a central disability record for colleagues.

The 'My Adjustment Pass' is designed for colleagues to capture what is in place to help them work best and feel included. It is designed to ensure continuity of adjustments if a colleague changes role, moves between teams or is assigned a new line manager. Since the launch in January 2025, 41 colleagues have completed a MAP. We will continue working with Liberty (our Disability Network) and managers to promote MAP and encourage usage.

Within the Corporate Strategy:

- We are incredibly proud to have been recognised by The Sunday Times as one of the Top 100 employers in the country, at our first attempt. This was done alongside having achieved 82% colleague engagement, our highest ever based on a response rate of 78% (again, our highest to date).
- Our work to ensure we are a place where anyone can succeed irrespective of background was recognised through being named in the Inclusive Top 50 employers list for three consecutive years, as well as through achievement of the Inclusive Employers Standard (bronze). During this time, we also attained the Disability Confident Leader status for our focus on ensuring disability should not be a barrier to colleague experience and success.
- Through our four inclusion networks, we have seen significant increases in the disclosure of colleague diversity data from 17% to 83%. This means that we now have robust data to inform business decisions, ensuring we fully understand their impact.
- We published our lowest ever gender pay gap in 2024 at 15.02% and we continue to lead our sector in voluntarily reporting the ethnicity pay gap. We are remaining transparent about the challenges associated with our pay gaps, as well as our actions to reduce, recognising this will not be a quick change.
- We continue to invest in groups where we know we have lower levels of representation. This has resulted in an increase in female promotions (60% to 63%) and ethnically diverse leadership (18% to 21%).
- We have continued to invest in early careers, with 47 apprentices currently on programmes; including our flagship degree apprenticeship programme, which offers work and education opportunities leading to a recognised degree level qualification for some of the most talented young people from within our geography.
- Like all employers in the UK, mental health remains our third highest reason for absence. We have developed a range of support for colleagues including: self-help tools through our MyStrength App enabling colleagues to access personalised guidance to help overcome life's challenges; support through our Mental Health First Aiders; subsidised access to health and wellbeing professionals through our health cash plan, the EAP programme and an array of wellbeing workshops. All of this is being provided alongside more targeted support, as required, including resilience training and financial awareness delivered by independent advisors.
- Our Colleague Champions are our information, representative and consultative body for collective workforce matters. Trained by ACAS, Colleague Champions advocate for colleagues in formal processes when requested to do so. Colleague Champions meet quarterly with the Executive to discuss business priorities, feedback from colleagues on the things that matter to them and influence by ensuring colleagues' views inform decision-making. Our Colleague Champions have shaped important initiatives this year, including birthday leave linked to the achievement of key business objectives, the annual engagement survey and the annual pay award.

Measure	2021/22	2022/23	2023/24	2024/25	2024/25 Target
Operating margin	36.3%	29.2%	27.0%	26.6%	>27%
Interest cover	386%	300%	291%	372%	>150%
Gearing	45%	44%	43%	39%	<70%
Arrears	4.30%	4.39%	4.32%	4.15%	<4.00%

SAFE AND STRONG

Safe and Strong focuses on remaining financially strong and focusing on safety, making sure we spend our money wisely and invest in what matters to our tenants.

Financial Strength

Our goal is to maintain our financial strength by adhering to our golden rules of interest cover, gearing and liquidity.

Within the year:

- Our financial performance remained strong, and we have a best-in-class credit rating from Moody's of A1 Stable, and;
- We maintained a robust level of liquidity. As of 31 March 2025, we held £346m of cash and facilities that are immediately available.

Focus on safety

The regulatory environment is constantly evolving with new regulatory judgments and guidance, such as 'Building a Safer Future' and the Fire Safety Act. Where possible, we adopt best practice in our properties and workplaces. We put tenant consultation at the heart of safety, ensuring that we have clear processes to raise concerns and are transparent with their resolution.

Within the year:

- We continued our 100% compliance on building safety TSMs
- We have registered our building safety cases for our five buildings in scope (above 18 metres) and have developed our Building Safety case files ready for submission when the Regulator invites us to do so. One has been submitted so far, and;
- We continue to submit our Regulatory Fire Safety Survey every quarter.

A FIVE STAR RATING

FROM THE BRITISH SAFETY COUNCIL

In November 2024, we successfully completed a Five Star Occupational Health and Safety Audit conducted by the British Safety Council, demonstrating our commitment to the safety of colleagues and tenants.

This was the first time that we had undergone a comprehensive evaluation of our occupational health and safety policies, processes and practices.

The audit measured performance against key health and safety management best practice indicators, and saw a detailed review of almost 60 component elements. Following the audit, we were awarded a best practice Five Star grading, with an overall score of 93.6%.

VALUE FOR MONEY

Alongside our new corporate plan, we have also developed a new Value for Money (VFM) strategy. To achieve our objectives, we need to remain financially strong, optimising the employment of our assets and resources to deliver the services our tenants need. We also need to provide assurance to our stakeholders that the level of resources used to meet our objectives is appropriate and proportionate.

VFM is embedded throughout our corporate plans, incorporating the VFM Standard and metrics. The Regulator's sector-wide annual global accounts to March 2024 highlighted the sector's record spending on existing stock, resulting in the erosion of operating margins and interest cover. The Regulator has urged Providers to take a strategic approach to managing their economic risks through this economic uncertainty.

We continue to deliver a strong set of VFM metrics. This is supplemented with a suite of regularly published quality indicators.

We have also developed several VFM case studies that show tangible gains

	Actual					Forecast	
Measure	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Reinvestment	6.4%	7.7%	6.7%	9.3%	8.1%	8.6%	8.0%
New supply delivered (social housing units)	1.2%	2.3%	2.1%	2.1%	2.6%	1.4%	1.4%
New supply delivered (Non-social housing units)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	28.9%	29.6%	29.3%	30.5%	27.2%	29.5%	31.8%
EBITDA MRI interest cover	214%	274%	237%	196%	193%	109%	116%
Headline social housing cost per unit	£3,480	£3,693	£4,012	£4,612	£5,019	£5,611	£5,654
Operating margin (social housing lettings only)	32.6%	30.2%	28.2%	28.1%	27.9%	25.9%	26.0%
Operating margin (overall)	30.9%	28.8%	27.0%	27.0%	26.6%	25.2%	25.9%
ROCE	3.7%	3.9%	3.3%	3.4%	4.6%	3.6%	2.8%

Regulator 2023/24	Reinvestment	New Supply (Social housing)	New Supply (Non social housing)	Gearing	EBITDA MRI Interest Cover	Headline Social Housing Cost per Unit	Operating Margin (SHL)	Operating Margin (Overall)	ROCE
Lower quartile	5.2%	0.6%	0.0%	34.1%	76.2%	£4,495	14.4%	12.5%	2.2%
Median	7.7%	1.4%	0.0%	45.6%	121.7%	£5,135	20.4%	18.5%	2.8%
Upper quartile	11.0%	2.2%	0.1%	54.3%	152.5%	£6,350	25.8%	23.4%	3.4%

Within the Corporate Strategy:

- Reinvestment levels have fallen from last year's record due to less being spent on new homes. Expenditure on existing homes increased due to our drive to improve them for customers.
- New supply delivered a record 813 new homes. This meant that we achieved our Corporate Plan target of building and acquiring 4,000 new homes by the end of 2024/25.
- Non-social housing remains at 0% as we devote our resources purely to building social and affordable homes.
- Gearing decreased due to a reduction in net debt following the sale of several supported housing schemes. We will look to redeploy these proceeds in building more stock and through the purchase of existing stock from other Providers.
- EBITDA MRI is an indicator of liquidity and investment capacity (excluding sales). It is the only real measure that includes interest costs. We continue to perform very strongly on this measure. Despite increased investment and increased compliance costs with legislation, we still maintained close to a two times adjusted earnings to interest multiple.
- Headline cost per unit has continued to increase due to an increase in maintenance spend, frontline operatives and inflation as we target better customer service and improve on investment costs, as well as increase our number of frontline operatives.
- Operating margin (social housing lettings and overall) has fallen slightly in the year, reflecting increased costs pressures and regulatory standards.
- Return on Capital Employed (ROCE) has increased due to higher one–off disposal surpluses against a lower capital base.

HOW DO WE COMPARE TO OTHERS?

We continue to lead and develop a new performance improvement and benchmarking model for the sector with Vantage Business Solutions.

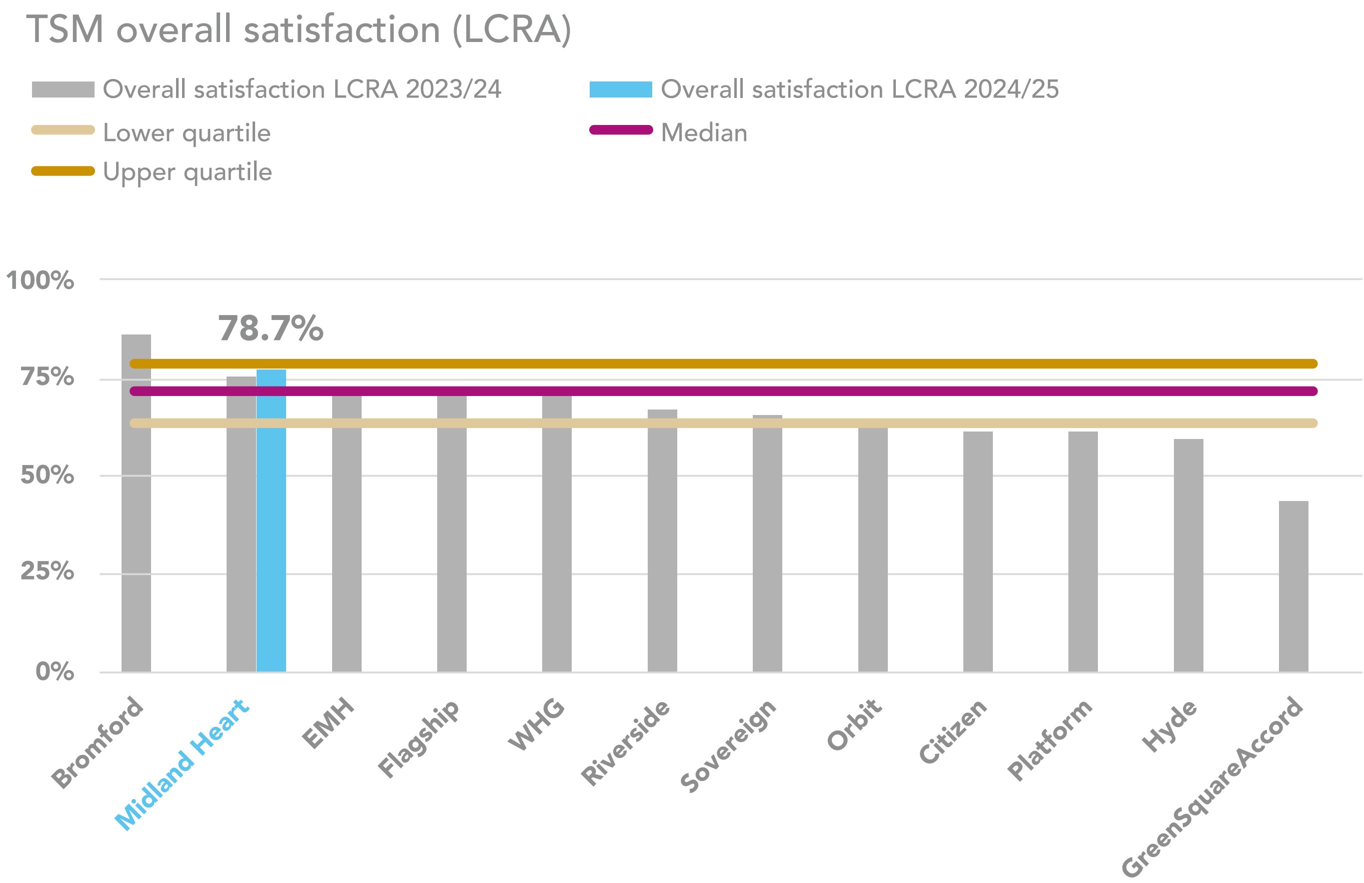
A key aim is to analyse the performance of the largest Providers on an annual basis through publicly available information from financial accounts.

As in previous years, we continue to compare ourselves against a core number of housing Providers. We select organisations in all geographies, which represent some of the largest and most efficient Registered Providers, as well as including those that largely have strong governance and viability ratings.

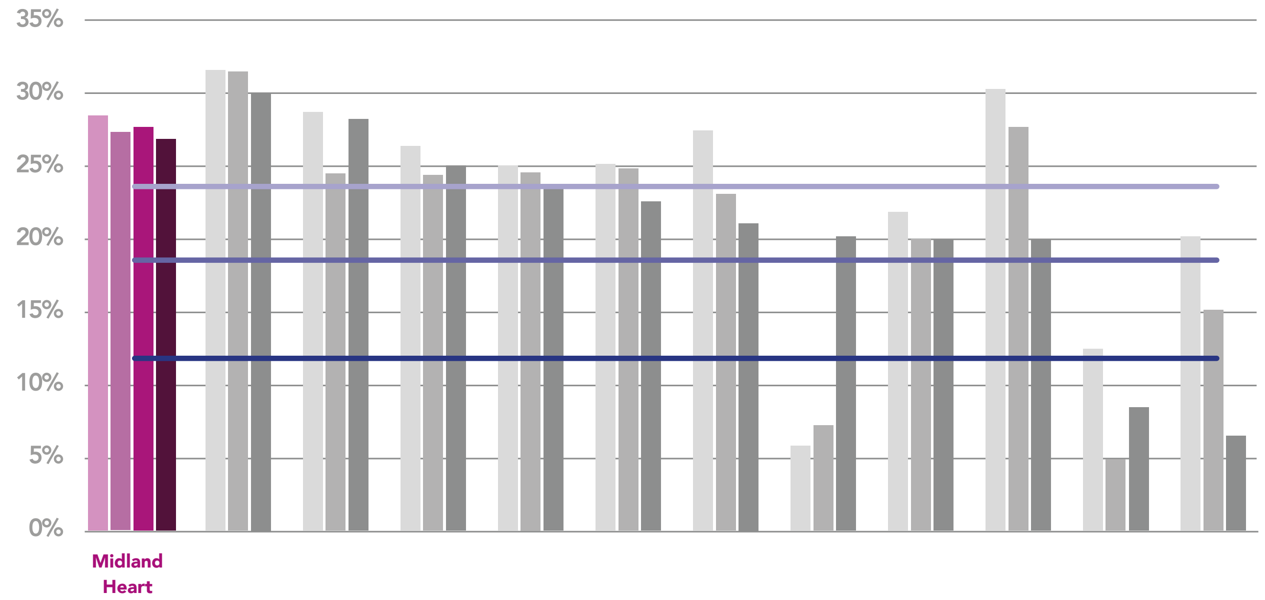
Our benchmarking group includes:

- **Bromford**
- **Citizen**
- **East Midlands Housing**
- **Orbit Group**
- **Platform**
- **Riverside**
- **Sovereign**
- **WHG**

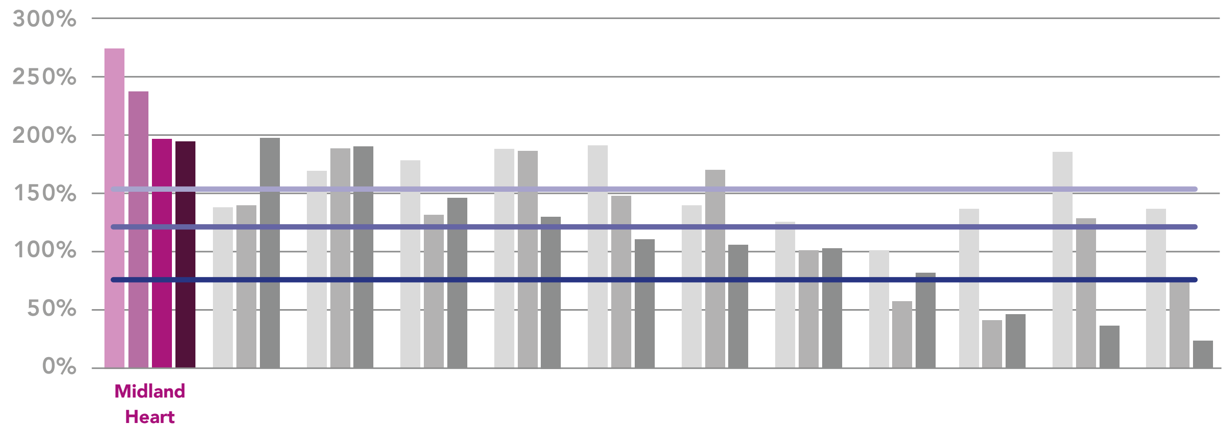
The results of our core metrics are detailed in the graphs below:



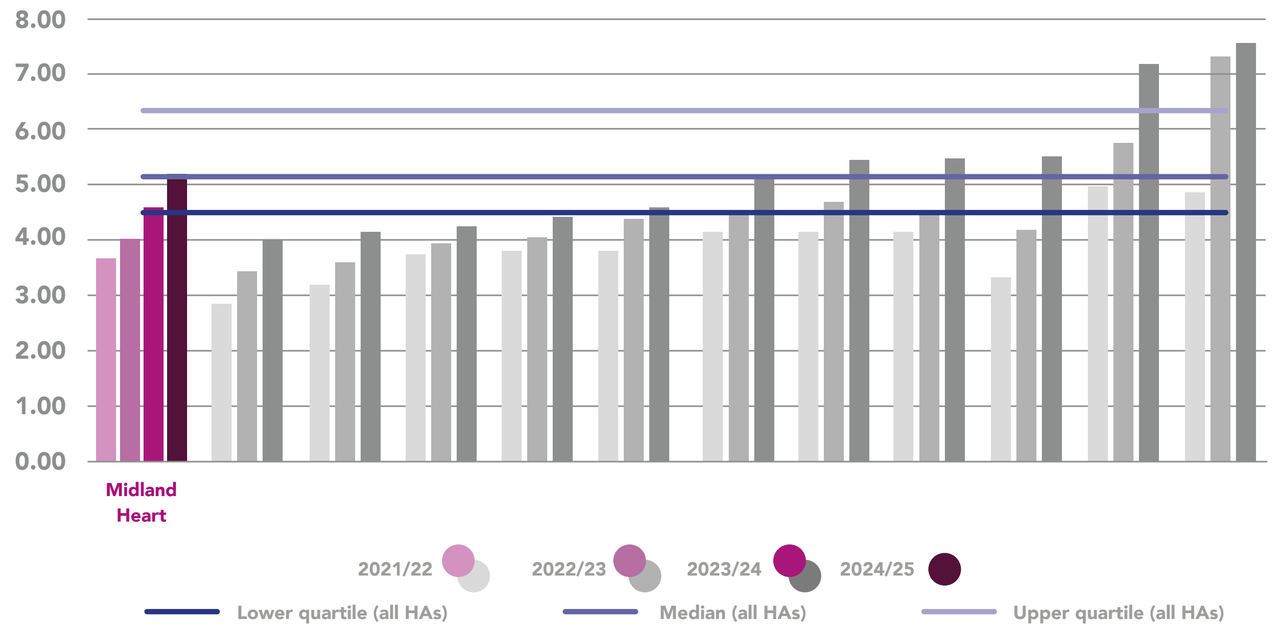
Operating margin - overall %



EBITDA MRI Interest Cover



Headline Social Housing Cost Per Unit



TREASURY MANAGEMENT

Proactive Treasury Management remains a key cornerstone of our robust financial position. Our approach remains relationship-centric. We develop long-term, deep relationships with lending institutions and investors who thoroughly understand our business and who can help support our evolving requirements. This collaborative approach ensures that Midland Heart works with partners that truly understand our business objectives and provides us with the time to listen, reflect and be agile in what remains an evolving market backdrop.

We have a strategic approach to funder relations, which includes regular touchpoints with all funding partners. Specifically with institutional investors, we have regular engagement including a specific ESG meeting to highlight the progress Midland Heart is making in its sustainability journey. As reported last year, we published our inaugural Sustainable Finance Framework, which was independently verified by DNV to ensure it was aligned to the ICMA and LMA Principles. We remain a keen supporter of the Sustainable Reporting Standard for Social Housing (SRSSH), which we continue to report on, and achieved the SHIFT GOLD accreditation during 2024.

Midland Heart has a robust liquidity policy that states there should be sufficient cash and fully secured loan facilities to cover 18 months of any net committed development spend, excluding any sales receipts from outright sale/shared ownership properties.

As of 31 March 2025, Midland Heart had c£346m of available liquidity: comprising £270m available in undrawn fully secured facilities and c£76m in cash. In addition to this, we have a £75m fully secured retained bonds from our 2020 bond issue that could be issued very quickly, if deemed an appropriate financing route. Our treasury position continues to be an excellent foundation to fund both our future development plans and asset investment plans in our existing homes.

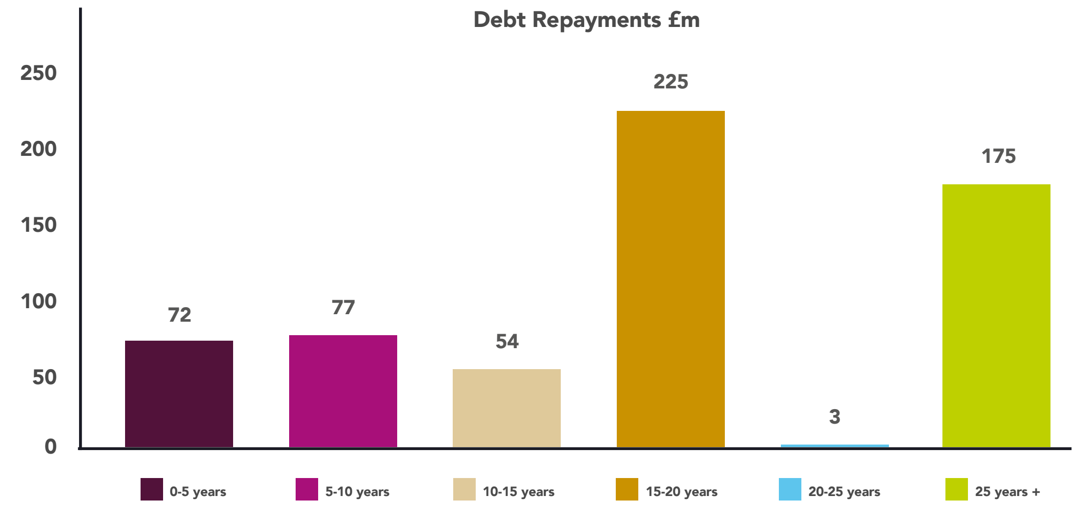
2024/25 was a more muted year with regards to new facilities being secured, although we successfully extended our Revolving Credit Facilities with HSBC, Lloyds and Nationwide for a further year and have activated the Sustainability Linked Loan components in these loans.

The maturities of our loans due for repayment are as follows £'000:

Measure	2025	2024
Within one year	7,907	9,644
Between one and two years	7,932	9,579
Between two and five years	55,998	71,039
After five years	533,769	544,481
	605,606	**634,743**

Over the next five-year period, only c12% of our drawn debt matures.

Midland Heart continues to maintain a diversified funding base, with the split between drawn bank and capital market funding as of, 31 March 2025, being 63% (capital markets) and 37% (banks and building societies).



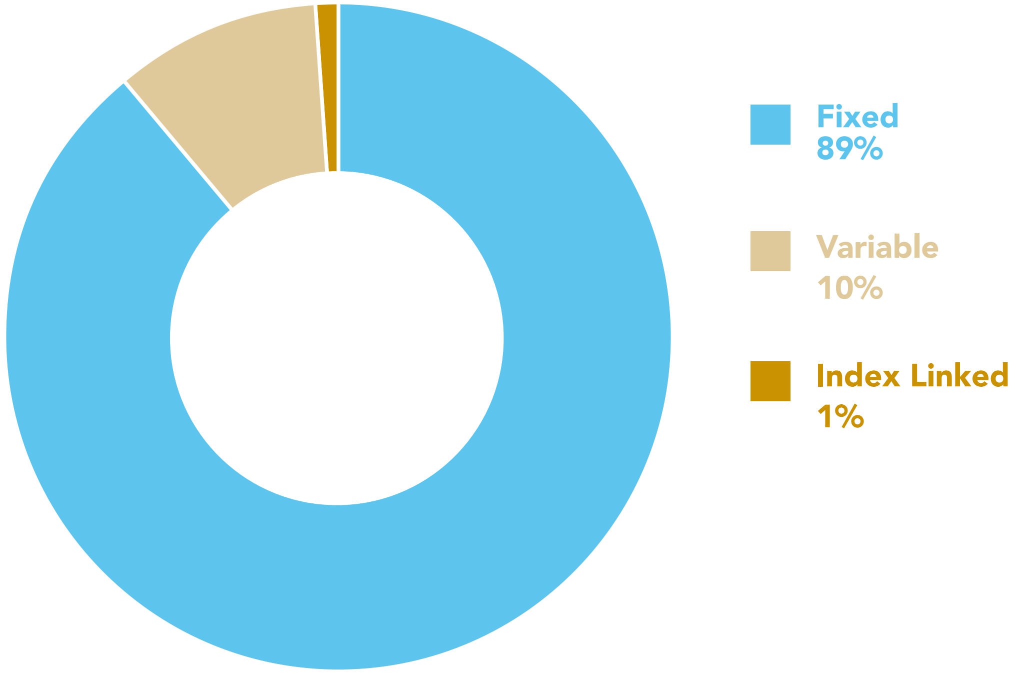
Financial instruments

Midland Heart is financed by a combination of retained reserves, long-term loan facilities and grants from the Government. The Group has a formal Treasury Management Policy that is approved by the Board on an annual basis. This policy seeks to address funding and liquidity risk and ensure covenant compliance; it states which types of financial instrument can be authorised for use, covering both borrowings and investments. In addition, the policy identifies the maximum value of financial instruments and with whom they may be agreed.

Midland Heart uses embedded instruments (such as fixed rate bank loans and bond issues) and standalone interest rate swaps to reduce the impact to Midland Heart of increases in interest rates. They are only used to hedge existing variable rate debt liabilities and are prohibited from being used for speculative purposes. As a result of using swaps, Midland Heart sets aside property collateral and utilises credit thresholds to cover any net future anticipated payments due by Midland Heart. As of 31 March 2025, this amounted to c£8m, down from just under £14m as of 31 March 2024, and all counterparties' exposure was fully covered by property collateral and credit thresholds.

Midland Heart monitors its exposure daily and stress tests it. Our policy is that we must be able to cover a fall in interest rates of a 100bps. Midland Heart does not have any non-sterling or exchange rate exposures.

DEBT PORTFOLIO



Covenants

The Group's main financial covenants are in respect of gearing, interest and asset cover. They have been agreed with all of the relationship banks and are monitored on a regular basis, including stress testing at our Finance and Growth Committee. The Committee 'monitors' our golden rules that have been set to ensure we remain well within our financial covenants at all times. We continue to maintain very strong headroom relative to our financial covenants, which has improved from our 2024 position.

Measure	Golden rule	Bank tightest covenant	2025	2024
Gearing %	70%	75%	39%	43%
Interest cover %	150%	116%	372%	291%

As of 31 March 2025, we had 9,158 unencumbered units that could be used for new funding.

In recognition of Midland Heart's robust credit strength and strong financial management we currently enjoy an A1 (stable) credit rating from Moody's Investors Services, last affirmed on 19 December 2024.

This remains the leading Moody's rating in the sector and bears testament to our measured and prudent approach to risk financial performance and business discipline.

Furthermore, the regulatory judgement in March 2025 of V1, alongside our G1/C1 gradings, highlights our strong financial profile, demonstrates our financial capacity and notes that we have access to sufficient liquidity and adequate funding in place.

Sustainable Linked Loan Targets

During 2024/25 we established our inaugural KPIs embedded within our loan facilities. We have outlined below both the targets and actual performance, noting where these have been achieved.

SLL Targets	Target 2024/25	Actual 2024/25
Cumulative New Homes Built at EPC 'B' and above	700	813
Regulator Rating	G1	G1
Energy Performance Certificate Rating	80%	79.3%
Energy Performance Certificate Rating (not including new build)	80%	78.8%
Cumulative Customer Referrals to Money Advice	3,000	2,582

a) 813 new homes were built with a registered EPC rating of Band B or above, exceeding the SLL target of 700.

b) The regulator rating remained strong at G1.

c) Registered EPC certificates for existing properties achieved results between 78.8% and 79.3%, just shy of the SLL target of 80%.

d) Customer referrals to Money Advice reached 2,582 cases for the year, coming below the SLL target of 3,000 cases.

SUSTAINABILITY AND CLIMATE CHANGE

Our strategy

2025 brings to a close our corporate plan, Making What Matters Brilliant, and Our Carbon Reduction Plan.

Since the conception of Our Carbon Reduction Plan, we have made significant progress in the sustainability of the homes we rent, the homes we build and the way we work.

As we now transition to our new corporate plan, Tenants at Heart, we can look back at our success and build on those foundations through clear sustainability commitments. This includes strengthened Value for Money governance measures and the development of a new Carbon Reduction Plan to reach our 2030 milestone on a tenant-centric, equitable pathway to net zero.

Closing Making What Matters Brilliant and Our Carbon Reduction Plan

- 99.9% EPC D or above.
- 79% EPC C or above.
- SHIFT Gold 2024.
- 4,000 new energy efficient affordable homes.
- Award-winning Project 80 Homes Of The Future.
- 200,000 tonnes total CO2 emissions reduction since 2019, aligning us with a Paris Proof pathway milestone to net zero by 2050.
- c£4m invested in office moves and upgrades, including solar PV.
- All three core office are band B.
- 100% renewable energy purchased for our offices.

Spotlight on achieving 99.9% EPC D or above

1/3 of our homes as pre-First World War terraces presents a unique challenge for us to uplift the energy efficiency of our homes.

Hitting our EPC D target on time and performing above the sector average towards our EPC C target has made significant contributions to the condition of our homes and supports our tenants' comfort and safety.

We have calculated that hitting our EPC D or above target has been the major factor in achieving our c20,000 tonnes CO2 emissions reduction since 2019.

Sustainability in Tenants at Heart

- 99.9% EPC C or above
- Resourcing and green skills resilience through a new Property Services procurement pipeline and in-house apprenticeships through the early careers programme.
- Delivering the Project 100 eco village with homes that meet a standard of net zero emissions.
- Building 2,250 new energy efficient affordable homes.
- A corporate operational science-aligned 1,250 tonnes Scope 1 & 2 CO2 emissions reduction by 2030.

Underpinning sustainability through VFM culture

These core elements of sustainability will be underpinned by a strong VFM culture. Efficiency, Equity and Sustainability are part of our fundamental principles of VFM.

We will endeavour to provide direct benefits to tenants, whether this is through direct reductions in fuel bills, optimising their access to benefits and other services, or using our procurement strength to gain wider benefits, such as access to skills and employment.

Key elements of sustainability are co-ordinated through our internal VFM Steering Group.

Sustainability governance statement

As a G1, V1, C1 and Moody's A1-rated organisation, we are committed to the principles of good corporate governance and achieving high standards of business integrity, ethics and professionalism in everything we do.

Our ESG Committee steers ESG and our target to reach net zero in the homes we rent, the homes we build and the way we work by 2050. The ESG Committee is chaired by our Executive Director of Finance and Growth. Meeting frequently, it hosts strategic senior leaders, providing a platform to generate ideas, evaluate performance and define strategy, and focus on our progress towards key corporate targets, including our energy performance in our homes and operations.

Our New Business Group, chaired by our Chief Executive, is accountable for the selection and evaluation of key new build development projects, using guidelines approved by the ESG Committee.

Our VFM steering group will underpin sustainability, supporting the securing of direct benefits to tenants through strategic decision-making. The VFM steering group is led by our Executive Director of Finance and Growth and meets frequently.

Our ESG Report is published annually and includes our Sustainable Finance Framework impact reporting. We are a voluntary adopter and supporter of the Sustainability Reporting Standard for Social Housing (SRSSH) to support consistent, reliable and quality sector reporting. SRSSH enhances ESG reporting, net zero pathway reporting, the embedding of United Nations Sustainable Development Goals (SDGs) and aligns us with elements of Task Force on Climate-Related Financial Disclosures (TCFD).

Understanding climate risk

Our Risk Management Policy defines our framework for identifying and managing strategic and operational risks. The Board, along with the Audit and Risk Committee, oversee our strategic risks quarterly, and this includes reviewing our transitional risk around decarbonisation and emerging risks, such as increasing severe weather events and key policy change.

Risk category	Risk area	Adaption and mitigation measures
Strategic (current and emerging)	• Transitional risk relating to decarbonisation • Increasing severe weather events (emerging) • Upcoming key policy change (emerging)	• Low carbon as a key priority in the Corporate Plan • ESG Committee governance and reporting to Board • £72m in the Business Plan for EPC C in all of our homes by 2030 • Professional resource for managing climate-related issues (e.g. retrofit, building safety, repairs, etc.)
Operational (current)	• Pluvial (surface water) and fluvial (rivers and seas) flooding • Overheating/excess heat • Supply chain	• Tested Emergency Response Framework • Up-to-date and utilised Asset Management system • Partnerships with experience contractors • Flexible frameworks for supplier procurement • Major material supplier network

Physical climate change risk from pluvial and fluvial flooding and overheating is regularly assessed through our relationship with insurers and environmental consultancy, SHIFT. This year, we recorded that 4% of our properties are at medium to high risk of pluvial and fluvial flooding and, according to SHIFT analysis, 12% are at medium to high risk of overheating.

Mitigation actions for physical climate change risk include measures within our New Build, Property Investment and Repairs programmes. Detailed actions are regularly disclosed within our annual ESG Report.

Streamlined Energy & Carbon Reporting disclosure statement

Greenhouse gas emissions (tonnes CO2 emissions)				
Financial Year		**2024-25**	**2023-24**	**2019-20**
Scope 1 emissions from natural gas and commercial fleet fuel use		4,326	6,427	7,529
Scope 2 emissions from electricity use	Location based	3,211	3,591	4,958
	Market based	3,151	1,938	2,825
Scope 3 emissions from business travel private vehicle use		192	184	183
Total greenhouse gas emissions	Location based	7,729	10,202	12,670
	Market based	7,669	8,549	10,537
Carbon intensity ratio (total tCO2e / #homes)	Location based	0.22	0.29	0.38
	Market based	0.22	0.24	0.31
Energy use total (MWh)		38,659	51,781	n/a
#homes*		34,414	35,459	33,611

*Excludes offices

Carbon emissions reporting methodology

Greenhouse Gas (GHG) emissions are calculated in line with the GHG Protocol methodology and disclosed annually, and include Scopes 1, 2 and 3 and a relevant intensity metric to the sector. Scope 3 emissions are industry relevant, including independently-heated homes.

We have continued our work with SHIFT, a leading consultant to social housing, to provide assurance of our methodologies and data. We use the latest Defra conversion factors to calculate associated tonnes and CO2 equivalents. Reporting has been aligned with the UK Government's Environmental Reporting Guidelines.

Scope 3 emissions have been reported for the assessed Scope 3 categories and activities using the GHG Protocol: Technical Guidance for Calculating Scope 3 Emissions. For the purposes of SECR, we have included Category 6: Business travel, omitting other associated categories. All assessed scopes will be disclosed in our annual ESG Report.

The chosen intensity ratio is the total tonnes and CO2 emissions (market based) per home, providing effective benchmarking of our performance within the social housing sector.

Energy efficiency measures in 2024-25

We have increased our spend on energy efficiency measures through major projects, such as SHDF Wave 2 in our homes, heating ventilation and cooling upgrades in our Bath Row head office and fabric improvements at our new West Midlands Hub office.

- 228 homes uplifted from EPC E-D to C-B through our Social Housing Decarbonisation Fund Wave 2 programme.
- c700 new smart or Automated Meters (AMRs) installed since 2023.
- 1,260 new energy efficient boilers.
- 184 electric heating systems, including storage and panel heaters.
- 408 solar PV arrays on our homes, including in-roof solar PV through our re-roofing programme.
- 141 properties have received new double-glazed windows.
- 366 properties have received wall insulation ready triple-glazed windows.
- 235 insulation top-ups have been completed.
- 5,901 newly-assessed and registered EPCs have captured the energy efficiency measures installed in our homes as we work towards EPC C by 2030.

DELIVERING SOCIAL VALUE

We are committed to delivering social value for our tenants through providing high quality housing and support services. We work with partner organisations, who can support us by donating their knowledge, time, energy and resources across a variety of activities to put something back into their community. Our Money Advice Team assists our tenants in accessing this support, alongside advice in dealing with debt and maximising benefits.

This year:

- Maximised tenant income by **£3.4m** (£2.6m last year), increasing income and reducing debt liability.
- We obtained Universal Credit awards of **£536,000** and **£37,500** (£245,000 and £27,000 respectively last year) in Discretionary Housing Payment for tenants struggling to meet their rent shortfall due to financial hardship and effects of welfare reform.
- Gave tenants advice on how they can **most efficiently use energy** and **reduce their bills** through the Money Advice Team, and on our website.
- Provided additional support for our tenants, who are struggling to cope with the food and energy price inflation – responded to over **100** requests for help with emergency food and over **150** requests for help with heating costs.
- Secured **£127,000** (£92,000 last year) from charities, trust funds and tenant hardship funds to help **reduce debt** and **purchase essential goods** and services, such as ovens, bedding and fridges.
- We promoted the take-up of Pension Credit – **£95,000** was awarded, an increase of 13% on 2023/24.
- Helped eligible tenants obtain an additional **£1m** in housing benefit, and **£118,000** in attendance allowance for those over 65 to help with care needs.
- Worked with the Building Safety Team to **clear gas meter debt** to enable gas safety checks and to continue to provide a gas supply.
- Gained access to the **Trussell food bank portal** so that we can quickly issue food vouchers electronically.
- Issued circa **£7,000 heating vouchers** to tenants on our **Healthy Home project.**
- Provided **11** customers with washing lines so that they can **save on drying costs** – helping them to save money.
- Distributed **winter warm packs** donated by a contractor for vulnerable tenants.

Risk management embedded through our business

The Board and Audit and Risk Committee recognise the importance of sound risk management in achieving our Corporate Plan.

Our risk management process aims to identify risks before they crystalise, ensuring we can put mitigating controls in place and focus our assurance activities. Our Executive Board has overall responsibility for risk management and the system of internal control within the business. The Audit and Risk Committee reviews the systems in place to identify and manage risk and receives reports from the internal auditors, advising on the effectiveness of our internal control systems in managing risk. The Group uses an Enterprise-Wide Risk Management (ERM) framework to support the identification and management of risk.

ERM enables us to identify, measure and manage the entire range of business opportunities and risks. Under the ERM framework, each functional area of the business regularly reports on its major risks and how they are being managed or eliminated.

Having considered our operational and project risk registers, the risks arising from our corporate plan and external views on the sector's risks (e.g. the Regulator, Homes England and Moody's), we have identified our key corporate risks that require active management and monitoring by our Board.

Our risk management process seeks to identify the key risk factors that may have a material impact on the group and to manage them appropriately. The risk factors cover financial, operational and reputational risk. They are reviewed quarterly, and a deeper analysis has been done during last financial year with the introduction of the new corporate plan.

Risk management is also a method of optimising opportunities by effectively managing risks in accordance with our risk appetite. The Board, showing the level of risk they are prepared to accept, tolerate or be exposed to, define the risk appetite. The Board provides direction on the practical application of the risk appetite in the key corporate policies, setting the boundaries within which all staff are required to work.

Emerging risks

Emerging risks are upcoming events (known and potential) that present uncertainty, but are difficult to assess at the current stage. We identify emerging risks through horizon-scanning the political, economic and regulatory landscape, and assess the level of risk posed to ensure we are adequately prepared for the potential opportunities and threats they pose. A list is produced quarterly alongside the risk registers to highlight new and growing threats. We closely monitor emerging risks that may become principal risks over time.

Measure	Risk	Mitigation
SR1	Causing serious harm or neglect to a tenant, staff, supplier or third party	• Safeguarding and operational policies and procedures in place with all relevant staff inducted and trained. • Routine checks undertaken by fully trained operational staff. • Safeguarding Board monitors policy implementation and performance. • Health and safety system and reporting in place. • Contractor H&S systems checked via procurement / contract monitoring. • Annual programme of thematic H&S audits. • Monitoring by Safe & Strong Committee.
SR2	Non-compliance with Building Safety laws, regulations and best practice in existing and new build properties	• Dedicated team and budgets to manage building safety and compliance. • Systems and processes in place to identify, control, monitor and report on building safety risk / performance. • Competent, qualified contractors procured to provide specialist services. • Building Safety (Customer) Engagement Strategy for building safety responsibilities. • Building Safety competency framework for staff training / knowledge. • Contract Management Framework for contractor services. • Building Safety horizon-scanning group assesses emerging themes / impact. • New Build Handover process between Building Safety / Development teams.

Measure	Risk	Mitigation
SR3	Insufficient grant subsidy secured to support the delivery of the corporate plan and Housing Delivery Strategy target of building minimum of 2,250 homes by March 2030	• The Affordable Homes Programme 2026 (AHP26) has been announced, and we have been part of focus groups with the governing bodies on how this plan should look. • Business plan modelling assumed a modest uplift in grant rates from those we are currently receiving under the previous homes regime. • We have an excellent delivery track record from the previous programme that should provide a positive position and a level of credibility for any bid for new grant from the AHP26. • We are building a strong forward pipeline of new schemes that would positively position any bid, as this would provide early delivery in the AHP26 (likely a key factor in any assessment of our bid). • We have completed financial modelling that determines the level of development activity we can assume if grant rates are lower than our assumptions, or with none available.
SR4	Adverse impact on financial plan of government policy, including any further rent cap and settlement post 2025	• Scrutiny of business plans budgets by Executive/Board. • Stress tests include a ten-year rent freeze that does not break plans. • Active treasury management, including money market funds (AAA-rated). • Forecast and business plan presented to Board. • External affairs engagement with key national and local political bodies and individuals. • Planned sequence of mitigation plans if golden rules breached. • Money Advice Team advise customers on accessing hardship funds and maximising income.
SR5	Midland Heart suffers a cyber-attack	• IT policies, procedures and training, including IT security e-learning. • Vendor management with IT security requirements embedded at procurement. • Annual penetration test and digital application testing with all remediation complete. • Anti-virus software, firewalls, email and web filtering. • Mobile device management. • Encryption of data, MFA and geo-blocking implemented across all systems. • Executive cyber training by external specialist and phishing simulations.
SR6	Failure to achieve minimum standards for decarbonisation of EPC C by 2030 and operationally preparing for further changes in regulation and disclosure in relation to decarbonisation	• Governance arrangements meet the requirements of the ESG early adopter return (ESG Committee and reporting to Board). • Board and ESG Committee monitor progress towards ESG targets. • £72m embedded in the 2023 Financial Plan to get our properties to EPC C by 2030. • Annual ESG report aligned to external reporting standards. • Low carbon priority included in the Corporate Plan as agreed by Board. • Decarbonisation operational team with specialist knowledge to achieve energy efficiency targets in the most cost efficient way.
SR7	Inaccurate and incomplete data adversely impacts on our legal / regulatory obligations, causing service disruption and/or financial loss	• Regular triangulation exercises e.g. building safety data reconciling multiple systems. • Exception reporting, data cleansing process for SDR. • Internal and external audits in specific areas e.g. • Business planning, TSMs, stock condition and building safety reconciliations (e.g. monthly control accounts).
SR8	The inability of the business to be prepared and comply with Awaab's Law	• Damp & Mould (D&M) Strategy in operation. • Daily/weekly meetings are held with the D&M team to review no access and aged cases. • Customer liaison officers work with tenants to find root causes to ensure mould issues are eradicated (e.g. humidity sensors). • Focus on collaboration with tenants rather than behavioural changes. Tenants can submit photos to enable faster triage. • HomeChecker application to facilitate the reporting of damp and mould and/or other hazards issues at every tenant visit. • Updated D&M surveys to improve data and reporting oversight. • Installation as standard of ventilation into all void properties (where not currently in place). • Review of D&M disrepair cases to ensure no legal case delays works, with a protocol for future cases. • Customer Scrutiny Group reviews how D&M approach aligns with best practice outlined by the Housing Ombudsman in their spotlight on D&M Report. Operations Committee review outcomes. • Creation of D&M priority working group with focussed action plan (SLT core working group established).
SR9	Insufficient skills to deliver Tenants at Heart	• New People Strategy developed for 2025-30 that articulates our response to the people challenges. • Established Degree Apprenticeship programme developing key skills. • Revised employer brand and employee value proposition, including a dedicated careers site. • New corporate induction to ensure colleagues join with the right expectations and knowledge of key systems and processes. • Pulse surveys to monitor engagement in highest turnover teams; local engagement plans to address feedback. • Significant level of investment in colleague development; highest level of investment in frontline operational roles. • Recruitment based on values and behaviours, ensuring we recruit people with right mindset, as well as competencies. • Consistent approach to way of working post-Covid, articulating our flexible working offering and office-based working requirement (where relevant) as part of our talent attraction methods. • Anticipate changes in technology and components to inform role design and proactive search for skills. • MH Mindset developed and launched to colleagues, articulating the focus on tenants. • Recruitment and retention premium used where, necessary for other roles, following clear evidence of need. Approval by Executive Director of Corporate Resources only.

Our operating environment

We began the year with high levels of inflation that have slowly reduced over the financial year. During the year, it was also confirmed that rents would have a cap of CPI + 1% which will be in place for ten years. We have continued to model these economic risks throughout the year to ensure we managed the impact on our surplus, as well as the cost of living impact on our tenants. We regularly monitored arrears and ensured that tenants continued to be supported through our Money Advice Team.

We have continued work in relation to our compliance and performance frameworks in line with the Social Housing (Regulation) Act 2023 and the Regulator of Social Housing's Tenant Satisfaction Measures and revised regulatory standards. They have been reviewed by both internal and external bodies, including tenants with no significant issues noted.

The Procurement Act has come into force from February 2025 and has been embedded into our business. The Act seeks to improve efficiency, transparency and fairness in public sector procurement, while also ensuring value for money.

Birmingham City Council still has its s114 notice active due to its difficult financial position. We have been continually assessing this exposure in case this risk becomes sufficiently significant to require strategic management, however, no issues have been noticed since the notice was issued in September 2023.

We have also reacted to the Birmingham City Council bin strikes that began in March 2025 with increased pick-ups by the Rangers within the business to ensure sites are free of rubbish.

Looking ahead to 2025/26

Rent increases for 2025/26 will continue to be CPI +1%. This will ensure that we remain able to deliver high quality services and has been used in all forecasting the business has done for the forthcoming financial year.

The business would be expecting interest rates to continue to reduce, albeit at a slower rate than initially thought. This will help reduce borrowing costs for the business and also tenants with reduced mortgage payments and consumer credit.

Despite the lower interest rates, we are seeing the business is still conscious that there is a cost of living crisis that could, in turn, adversely impact arrears and our business plan.

2025/26 has also seen the implementation of the new corporate plan, Tenants at Heart, which includes a pledge to ensure all homes will be at EPC C by 2030. This retrofit strategy has commenced and will ensure homes are enabled for modern living. It will also not only reduce the footprint for the planet, but help deliver homes that are more affordable to heat.

A cyber attack remains a real and credible threat across all sectors. We will continue to put in place robust, proactive measures to protect our systems, together with ongoing communications to colleagues around the risks, what to look for, and how to protect themselves and the organisation.

BOARD AND EXECUTIVE OVERVIEW

Appointments and resignations

Name	Position	Appointed	Resigned	End of tenure
Glenn Harris	Chief Executive and Executive Board Member	29/09/2017		
David Taylor	Executive Director of Tenancy Services and Executive Board Member	29/09/2017	31/03/2025	31/03/2025
Llewellyn Graham	Chair of the Board and Nominations Committee, Non-Executive Director	01/05/2019		
Joe Reeves	Executive Director of Finance & Growth and Executive Board Member	03/12/2020		
Dominic Wong	Senior Independent Director, Non-Executive Director, Chair of Remuneration and Executive Selection Committee, and Chair of Finance and Growth Committee	01/05/2021		
Baljinder Kang	Executive Director of Corporate Resources and Executive Board Member	01/10/2022		
Louise McFadzean	Non-Executive Director and Chair of Audit and Risk Committee	28/09/2022		
Pamela Leonce	Non-Executive Director	27/09/2023		
Abigaile Bromfield	Non-Executive Director	27/09/2023		
Dasos Christou	Non-Executive Director and Chair of Operations Committee	27/09/2023		
Chiluba Musukuma	Non-Executive Director	01/07/2024		

Chiluba Musukuma was appointed to the Board in July 2024 following the retirement of Lord Austin in March 2024. David Taylor resigned from the Board of Management, effective 31 March 2025, and his employment at Midland Heart Limited ceased on 30 April 2025.

Board member attendance – 1 April 2024 to 31 March 2025

Board member	Main Board	Finance and Growth Committee	Audit and Risk Committee	Operations Committee	R&ES Committee	Nominations Committee	Board Away Time April 2024	Board Strategy Time November 2024
Total number of meetings	8	4	4	4	3	3	1	1
Glenn Harris	8/8	4/4	4/4		3/3	3/3	1/1	1/1
David Taylor	8/8			4/4			1/1	1/1
Llewellyn Graham	7/8				1/3	3/3	1/1	1/1
Joe Reeves	8/8	4/4	4/4				1/1	1/1
Dominic Wong	8/8	4/4			3/3	3/3	1/1	1/1
Baljinder Kang	8/8				3/3		1/1	1/1
Louise McFadzean	8/8	4/4	4/4				1/1	1/1
Pamela Leonce	7/8		4/4		3/3	3/3	1/1	1/1
Abigaile Bromfield	8/8	4/4	4/4				1/1	1/1
Dasos Christou	8/8		2/2	4/4			1/1	1/1
Chiluba Musukuma	5/6		4/4	3/3				1/1

Chiluba Musukuma was an independent member of the Audit and Risk Committee prior to her appointment to the Board. The recruitment process included the use of an external search consultancy (Saxton Bampfylde).

Dasos Christou stepped down from the Audit and Risk Committee in November 2024.

BOARD AND NON EXECUTIVE DIRECTORS

Llewellyn Graham
Chair

Llewellyn joined the Board in September 2019 and is our Chair of the Board, and Chair of our Nominations Committee.

Llewellyn is an experienced Chief Executive Officer who has a proven track record within the voluntary, social housing and not-for-profit sector. He is a visionary leader and social entrepreneur, who has the ability to analyse and solve complex organisational problems and implement change. He was instrumental in providing leadership and strategic direction in developing Nehemiah Housing from its embryonic stage to being a successful multi-million-pound social business.

He also continues to hold a number of board appointments. In July 2022, he became a member of the Black Country Integrated Care Board (ICB), a statutory NHS organisation responsible for developing a plan for meeting the health needs of 1.26 million people in the Black Country. For over 20 years, he has also held the role of a senior pastor and area bishop for the Church of God of Prophecy.

Additionally, Llewellyn is a member of the National Housing Federation Regional Committee, BME National Executive, West Midlands Housing Association Partnership, Birmingham Social Housing Partnership, the Chartered Institute of Housing, the Institute of Directors, the Association of Corporate Governance Practitioners, the Institute of Corporate Governance, and the National and International church board, where he is also chair of the International Audit Committee.

Llewellyn also chairs the Delivery Committee of the Black Country ICB and is a member of the Black Country Healthcare NHS Foundation Trust Joint Oversight Committee for Mental Health and Learning Disability.

Dominic Wong
Senior Independent Director

Dominic is a chartered accountant and a licensed insolvency practitioner. Dominic joined Deloitte LLP in 1991 and spent the next 28 years there, specialising in turnaround, restructuring and performance improvement. In 2019, he left Deloitte to pursue a portfolio career.

Dominic has been a Non-executive Director on our Board since 2021 and was recently appointed as our Senior Independent Director. As well as his role at Midland Heart, he is also Chair at Harper Adams University and a Non-executive Director of Warwickshire County Cricket Club. In addition to his board appointments, he has recently joined 4D Capital Partners LLP as a partner.

Louise McFadzean

Louise joined our Board in September 2022 and is the Chair of our Audit and Risk Committee and a member of our Finance and Growth Committee. A Chartered Accountant, she started her career in audit and subsequently moved into industry.

With over 20 years' experience as a senior finance leader, with knowledge of food and travel retail, manufacturing and public sector organisations, Louise has a strong track record in financial strategy, governance and organisational transformation. She also has experience as a charity trustee, school governor, board member and advisor in several other organisations.

Abigaile Bromfield

Abigaile joined the Board in September 2023 and sits on the Audit and Risk Committee and Finance and Growth Committee.

Abigaile is an experienced strategic leader, chartered town planner and qualified mediator with a mix of public and private sector experience. She currently works as a leader at Homes England for Regeneration, Partnerships and Major Projects. Prior to that, Abigaile was at Arup for 11 years as Director on the executive leadership team for Arup Midlands, where she was in charge of a commercial business section. She held two roles: Arup UK Town Planning Leader and Midlands Growth.

Abigaile was seconded to the Cabinet Office Implementation Unit for the Prime Minister (2014-16), advising on improving the implementation of housing and public sector land-related policies. She is also a fellow of the Royal Town Planning Institute.

Dasos Christou

Dasos joined the Board in September 2023 and is the Chair of our Operations Committee and the Board Member Responsible for Complaints. Additionally, Dasos is a non-executive director of Opendoor Homes, part of the Barnet Group, and sits on their Governance and Renumeration Committee.

Dasos is the Regional Managing Director of Abri, one of the largest housing associations in the south of England and is responsible for the south east region of 13,500 homes following the successful merger or Abri with Silva Homes in 2023. Prior to the merger, he was the Executive Director of Customer Relations at Silva.

Dasos started his career in retail, working for the John Lewis Partnership for over 12 years. He held a variety of roles, from being part of the management team that opened the group's store in Solihull, to regional positions and finally Development Manager of Customer Service for the group's Financial Services. Dasos brings a wealth of knowledge and commercial experience to modernise the way services are delivered in housing, implement sector leading digital services and improve customer experience. This is further supported by his chartered member qualification with the Chartered Institute of Housing.

Pamela Leonce

Pamela is an experienced housing professional with over 30 years in the sector. She has extensive leadership and governance expertise, having served as an Executive Director across housing, health, social care, and the criminal justice system.

She is an Improvement and Assurance Panel member for the Ministry of Housing, Communities and Local Government (MHCLG) and a associate at the executive search firm, Saxton Bampfylde. Her previous roles include serving as Sustainability Advisor to the Mayor of London and as a board member of the Barclays Foundation. Pamela is passionate about good governance and the role it plays in delivering good outcomes for communities.

Chiluba Musukuma

Chiluba joined the Board on 1 July 2024 as a Non-Executive Director. She currently serves on our Audit and Risk Committee and Operations Committee.

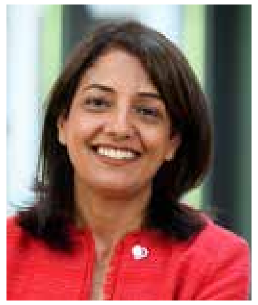
Chiluba is an experienced finance leader with over 20 years of experience across strategic and commercial finance, transformation, financial planning and analysis and audit. Starting her career with PwC where she qualified as a Chartered Accountant, she gained experience in audit, forensic accounting and transaction services before moving into industry. Chiluba currently works at National Grid as the Financial Controller and Head of Financial Planning & Analysis of the Electricity Transmission business, having previously spent time in the higher education and manufacturing sectors.

Glenn Harris MBE
Chief Executive Officer and Executive Board Member

Glenn has been our Chief Executive since 2018. Before this, he was our Executive Director of Corporate Services, responsible for Strategy, Finance, HR and IT. Supported by the rest of our Executive Board, Glenn oversaw delivery of the final year of our Fit for the Future corporate plan, the creation and delivery of our next strategy, Making What Matters Brilliant, and implementing our current strategy, Tenants at Heart.

Glenn is focused on Midland Heart being a truly outstanding landlord, who excels at delivering first class services to our customers, building as many new affordable homes in the Midlands as possible and being a leading local employer where people can develop themselves and grow their careers.

Prior to joining Midland Heart, Glenn was Deputy Chief Executive of the East Midlands Development Agency and held the role of Deputy Chief Executive at NHS Logistics, supplying over £1bn of consumable goods to all NHS Trusts across England.



Baljinder Kang
Executive Director of Corporate Resources and Executive Board Member

Bal joined us in 2014 and has over 30 years of generalist people management experience gained across the private sector, NHS, charitable and not-for-profit sectors. Since 2014, she has transformed our HR function and her portfolio includes the full breadth of the corporate resources agenda, including technology, projects, strategy and planning, BI, health and safety and facilities management.

A Fellow of the Chartered Institute of Personnel and Development (CIPD) and named as one of HR Magazine's most influential HR practitioners in the not-for-profit sector across multiple years, Bal led the team to winning the 2017 CIPD award for Best Reward Initiative, as well as the 2022 Best Health & Wellbeing Initiative. She also played a pivotal role in us being recognised in the 2024 Sunday Times UK Best Places to Work list for the first time. Bal was promoted to our Executive team in May 2018.

Joe Reeves
Executive Director of Finance and Growth and Executive Board Member

Joe joined the Executive team in July 2013 following 15 years at PwC working in both public sector audit and advisory, and corporate finance infrastructure and government teams. He qualified as a Chartered Public Finance Accountant (CIPFA) in 2000. As a Director at PwC, he acted as lead commercial advisor on major economic and social infrastructure public private partnership projects for the Government across the UK with a combined value of £1.5bn.

As our Director of Finance and Growth, Joe is responsible for our housing development strategy, commercial projects, finance, treasury, procurement and corporate affairs functions.

He is on the Executive of the West Midlands Housing Association Partnership and recently spearheaded a new venture called Homes for the West Midlands LLP, a collaboration between regional-based housing associations and the West Midlands Combined Authority to deliver additional affordable homes.

David Taylor
Executive Director of Tenancy Services and Executive Board Member

David joined us in 2009 as Head of Housing and became a member of the Executive team in 2015. He has strategic responsibility for all of our tenant-relates services, which includes property investment, customer services and housing management.

He is a member of the Chartered Institute of Housing, has a Level 5 housing qualification and over 20 years of experience working in the sector. David's career started in housing management at Leicester City Council and his experience spans most areas of the housing sector, including resident and community engagement, homelessness, service commissioning and asset management. David retired from the Board in March 2025 and Midland Heart in April 2025.

Executive Directors

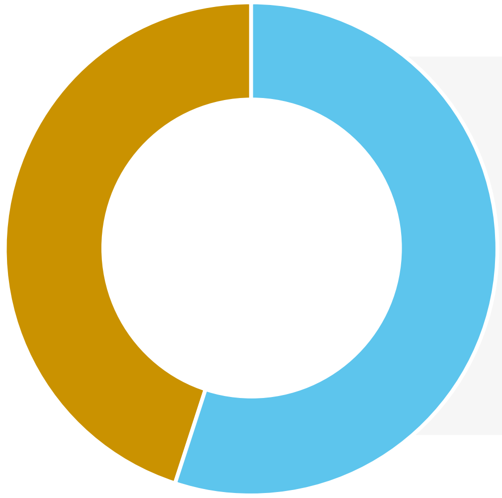
Sayeed Haris
Executive Director of Property Services

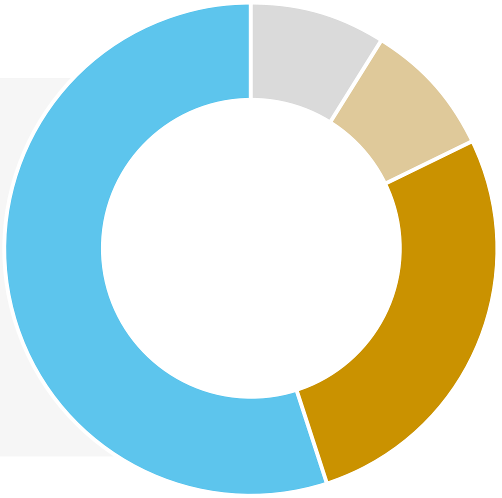
Sayeed joined Midland Heart in March 2020 having previously worked for Bromford Housing Association and KPMG. He has since worked closely with colleagues across Operations to ensure we deliver great services whilst remaining financially sound. He was promoted to Executive Director of Property Services in April 2024 and has strategic responsibility for our property services and investment.

Daren Nowlan
Executive Director of Tenancy Services

Daren joined Midland Heart in February 2025, having previously served at one of the UK's largest Housing Associations, Sanctuary Housing, for 8 years. Before that he was their Head of Income Services and Head of Customer Services at Oadby and Wigston Council. In his role as Executive Director of Tenancy Services he is responsible for our housing management, lettings, tenant experience, specialist accommodation and tenant contact centre.

Board Diversity





CORPORATE GOVERNANCE

Summary

We are committed to the principles of good corporate governance and achieving high standards of business integrity, ethics and professionalism in everything we do. Our code of conduct applies to all colleagues, from the frontline to Board and Committee members. The code sets out the values we expect of ourselves when at work.

From 1 April 2024, we adopted the 2018 UK Corporate Governance Code as the framework to measure the effectiveness of our governance practices to provide assurance to our stakeholders.

The Code has five measures for the Board to assess itself against:

- Board leadership and company purpose: the board's responsibility to align a company's strategy with corporate culture.
- Division of responsibilities: ensuring independence of non-executive directors.
- Composition, succession and evaluation: promoting a diverse board with the necessary skills and experience.
- Audit, risk and internal control: highlights the board's responsibility for risk management and maintaining a sound system of internal controls.
- Remuneration: ensuring pay is transparent and based on the company's long-term success.

The Board has recently reviewed its compliance with the Code, ensuring sufficient explanation with each provision.

A third party reviews our governance structure and board effectiveness every three years. Our last review was performed by Campbell Tickell in 2022, and all recommendations have been closed. Our next review has been completed by DTP and reported to the June 2025 Nominations Committee. Neither of these organisations have a connection with the Group or individual directors.

Declarations of interest

All declarations of interest are held on our register and are available publicly. Please contact our Company Secretary directly should you like to receive a copy of the register. There have been no declarations made that have a material impact.

Board of Directors

The Board has overall responsibility for the management and performance of the Group, including its strategy, planning, financial viability, internal controls and risk management. The Board has delegated day-to-day management of the Group to the Executive team, and delegates specific governance responsibilities to the sub committees of the Board, which are detailed in their terms of reference. The Board also meets regularly with engaged tenants to receive feedback on the performance strategy of the Group.

As of 31 March 2025, there were 11 Board Members, of whom seven are Non-Executive Directors and four are Executive Directors. This includes David Taylor (Executive Director) who has resigned, as of 31 March 2025, as a Board Member.

Non-Executive Directors are required to have sufficient time available to discharge their responsibilities effectively. Non-Executive Directors have full access to senior management and take opportunities to meet them on a regular basis. Site visits also give Non-Executive Directors the ability to meet colleagues from different levels of the organisation, as well as tenants.

Recruitment to the Board takes place as required to maintain orderly succession and an appropriate mix of skills and experience. Induction and ongoing training programmes are provided to all Board members, which includes probity and governance training. Skills and experience of the Board is reviewed at each Nominations Committee meeting. Members are subject to the Board Code of Conduct.

Executive Directors attend all Board meetings and members are provided with appropriate papers and information in advance of each meeting.

On 31 March 2025, the Board had five sub committees and operated one property-owning subsidiary, Cygnet Property Management plc.

In 2024/25, all Board resolutions received 80% or more votes in favour.

Audit and Risk Committee

The Audit and Risk Committee, chaired by Louise McFadzean, with three other non-executive directors as members, is responsible for six key areas:

- Monitoring the integrity and effectiveness of financial reporting and external audits.
- Agreeing and monitoring the delivery of the Group's internal audit programme.
- Monitoring the effectiveness of the Group's risk management and internal control systems.
- Overseeing the effective implementation of the Group's health and safety policy.
- Oversight of the compliance with whistleblowing, money laundering and fraud policies and procedures.
- Compliance with regulatory standards and the UK Corporate Governance Code.

In addition to exercising oversight of these areas, the Committee also considers items related to information governance and General Data Protection Regulation (GDPR), business resilience, and reviews the governance and control framework (Midland Heart's standing orders).

The Committee meets quarterly to ensure continued oversight and assurance over risks and processes.

The Committee are charged with ensuring the effectiveness of external auditors, including leading appointments and reappointments, and monitoring independence. Information about our current auditors is shown in the Directors' Report on page 78. There were no significant findings raised to the Audit and Risk Committee relating to the 2024/25 financial statements by KPMG.

Finance and Growth Committee

The Finance and Growth Committee (F&G), chaired by Dominic Wong, is responsible for overseeing the finances of the Group, agreeing treasury strategy and controls and approving new loan facilities and interest rate risk management arrangements. F&G's functions also include a review of the Environmental Social and Governance annual report.

At the close of the financial year, F&G convened and considered the following areas:

- The final budget for 2025/26.
- The Management Accounts Report with outturn forecast.
- The rent and service charge report.
- The Treasury report, including covenant compliance.
- The long-term financial plan, including assessing adequacy and comprehensiveness of stress testing and mitigation plans.
- The delivery of our development programme and targets and ensuring sufficient liquidity is in place for this.
- The annual review of the development appraisal parameters.
- The Assets & Liabilities Register.

Nominations Committee

The Nominations Committee is chaired by the Chair of the Board. The Committee considers that the Board's current size and its collective experience is effective for the running of the Group. The Committee will maintain the size and experience of the Board under review on a continuous basis.

The committee's main responsibilities are:

- Board and committees succession planning and recommending new appointees to the Board, including considerations on maintaining a diverse board.
- Recommending what the remuneration should be for Non-Executive Directors and for the members of Board and committees.
- Carrying out the annual appraisal of the Chair and approves the approach towards, and considers the outputs from, the annual appraisal process for Board and committees of Midland Heart.

As well as this, the committee is responsible for assessing and reporting on overall governance effectiveness, including monitoring the completion of any actions.

Some of the areas considered by the committee during the year were:

- Board recruitment for our incoming Board members and independent members.
- Approval of plans for, and the outputs from, Board, committee and Chair appraisal.
- A review of our Corporate Governance Code and Board member Code of Conduct.
- A review of our Governance compliance checks.

The diversity of the Board is shown on page 64, with the diversity of senior management shown in our gender and ethnicity pay gap reports.

Operations Committee

The Operations Committee, chaired by Dasos Christou, shapes and oversees the effectiveness of our tenant engagement and scrutiny activity, helping to ensure that the tenant voice informs policy and decision-making, with the aim of achieving positive outcomes for those who live in our homes. The committee reviews operational performance and critiques, develops and approves our key tenant-facing policies.

The Committee comprises a mix of tenants, independent and non-executive members, along with our Executive Director of Tenancy Services, which brings a variety of valuable perspectives to our work at Midland Heart. This year, we have continued our focus on optimising the strength and visibility of the tenant voice throughout the organisation and at Board and been involved with and helped develop the following areas:

- Tenant scrutiny – including a focus on being respectful, transparent and accountable to our tenants.
- Learning from complaints.
- First class repairs.
- Balanced and sustainable communities.
- Investment in the quality of our homes and neighbourhoods.
- Energy efficiency.
- Building safety.

The Committee also exercises oversight and scrutiny of the current operational position and trends via a comprehensive suite of operational, governance and performance reports.

Remuneration & Executive Selection Committee

The Remuneration and Executive Selection Committee, chaired by Dominic Wong, considers all matters about pay and remuneration and oversees the development of effective human resources and employment policies. The Committee also reviews colleague engagement activities and associated policies.

During the year the Committee has:

- Commented to the Chief Executive and his team on strategic matters of organisation structure design, organisation development and employment affecting the workforce more widely.
- Considered the performance levels of the Chief Executive and Executive Directors, alongside the overall performance of the Group, and determined the appropriate levels of remuneration and salary.
- Approved our gender pay gap and ethnicity pay gap reports, reviewed and informed progress on the resulting action plans.
- Received information on workforce sentiment from the Colleague Champions (our colleague representative body).
- Considered labour market conditions and approved the annual pay award.
- Considered and approved additional reward and benefits to ensure our Total Reward Strategy remains competitive.
- Took decisions regarding pension arrangements both for the current and future years.
- Considered and made recommendations on the major pension issues and risks facing us and our future pension strategy. The Committee receives independent advice from a firm of pensions advisors.
- Reviewed the delivery and implementation of our Diversity and Inclusion plans from our Equality and Diversity Steering Group.

When considering Executive pay in the year, the Committee considered market benchmark data, the time served and performance in the role, the experience of the post holder, and the affordability of any pay increase. The 2024/25 Executive pay increase is disclosed in Note 4 of the Financial Statements.

The Committee were satisfied that 2024/25 Executive Director pay met the requirements of Provision 40 of the UK Corporate Code of Governance.

Cygnet Property Management Plc

Cygnet oversees the acquisition and management of a small portfolio of properties for market rent. As a non-charitable operating subsidiary of the Midland Heart group, Cygnet has its own discrete funding arrangements (currently with Handelsbanken), separate from those used by Midland Heart and through a separate legal entity.

Over the financial year, the Cygnet Board has been chaired by Joe Reeves.

Executive Board

The Board of Midland Heart delegates the day-to-day operation of the business to the Executive Board, chaired by the Chief Executive.

STAKEHOLDER ENGAGEMENT

Colleagues

Colleague engagement has been captured in the People Focused section of our strategy on page 36.

Tenant insight

My Voice:

151
Meetings

71
involved tenants

68
actions completed
(arising from tenant-led scrutiny)

It is important that tenants are able to scrutinise our performance, hold us to account and make recommendations for improvements. Our My Voice framework was set up to provide a range of ways for tenants to get involved. This includes activities tenants can do from home, at organised meetings and in their local area.

My Impact
Delivery of action plans
Audits of Consumer Regulation

My Scrutiny
Customer-led Service Reviews
In-Depth Scrutiny

My Experiences
Special Interests Groups
Task and Finish Groups

My Area
Estate Champions
Resident and Committee Meetings
Building Safety Consultations

My Feedback
Surveys
Consultations
Mystery Shopping

Our Governance Framework also sets out a clear role for tenants (three individuals) on our Operations Committee, with these tenants providing a useful two-way link between our engagement framework (My Voice) and our Board.

Listening to our Tenants:

c2,500
TSM surveys

c11,400
transactional surveys

2,009
complaints

Tenant Insight is not limited to our formal involvement structures. We also encourage tenants to provide feedback on our services through both transactional and perception-based surveys. This feedback is used by our involved tenants to ensure we are listening and acting on the views of a broad range of tenants.

It is also important that learn from the incidents when tenants tell us they are not happy with our services. We use insight from trends and root causes of complaints and Housing Ombudsman determinations to help prevent the same issues from happening again.

Our Highlights:

- **Increased tenant insight in shaping our policies:** This year, we added a new stage into our approach to reviewing tenant-facing policies. Policy changes are now reviewed by our tenant group, who will ask the service expert to show them what they know about tenants' experience of their service and explain how this has shaped their proposals for change. This year, our tenant group has approved 12 policies they felt had been effectively influenced by our tenants.
- **Community days and events:** We know how much tenants value seeing and speaking to us in their local area, and over the course of the year we engaged with over 700 tenants at community days and town hall meetings. This is in addition to the activities held locally in our schemes and estates by local teams.
- **Learning from when things go wrong:** This year, we launched our complaint learning group, which was focused on tenants, helping review how we can improve our approach to handling tenant complaints and how we are taking action to address the root causes of issues to prevent them from happening again.

STATEMENT OF INTERNAL CONTROL

The Board is the ultimate governing body of the Group and is committed to the highest standards of business ethics and conduct and seeks to maintain these standards across the whole business.

The Board has overall responsibility for ensuring systems of internal control are established and maintained, and they focus on the significant risks that threaten the Group's ability to meet its strategic objectives. Such systems can only provide reasonable assurance against material financial misstatement or loss.

During the year, the Board (via the Audit and Risk Committee) conducted its annual review informed by internal audit reports, the risk management process, and other third party assurance providers. The review confirmed that the systems in place are operating effectively and that material controls (financial, operational and compliance) are fit for purpose.

In reviewing the systems of internal control we have in operation, the Board takes assurance from the following practices or elements of our control framework:

Control system	Contribution
Governance arrangements	Provides regular and significant oversight of and scrutiny over the business and its performance.
Terms of reference for the Audit and Risk Committee	Provides a detailed system of scrutiny and checks the effectiveness of management processes and the overall system of internal control, using both internal and external sources of assurance.
Governance and control framework	Detailed scheme of delegation for all parts of the business, including financial delegation.
Whistleblowing/anti-fraud measures	Whistleblowing and anti-fraud policies are approved by the Board and their effectiveness monitored by the Audit and Risk Committee.
Policy, strategy and procedure sign-off and ongoing review process	Leads to strategies, policies and procedures that are designed to comply with the law and remain fit for purpose. This includes the governance and control framework that sets out the levels of financial delegation from the Board to management.
Performance information - non-financial (e.g. Key Performance Indicators)	Regularly reporting on operational performance at Board, committees, Executive team and divisional levels, allowing for review of performance and prompt action to be taken where performance is below target levels. This includes monitoring delivery against targets included in our Making What Matters Brilliant corporate plan.
Performance information – financial (e.g. management accounts and budget reports)	Regularly reporting financial performance information at Board, committees, Executive team and divisional levels together with a forecast of financial performance to year end. This allows any deviation from agreed budgets or failure to meet financial KPIs (or any future risk of this occurring) to be quickly identified, and any necessary remedial measures to be agreed. This includes monitoring of delivery against targets included in our corporate plan.

Control system	Contribution
Treasury management	A group-wide treasury management function monitors compliance with our obligations to lenders (including in relation to performance against our financial and non-financial covenants) and external treasury risk factors, whilst also proactively taking steps to improve the efficiency, and reduce the risk of our loan book. It also ensures we have sufficient cash to meet our short-term commitments and access to loan facilities sufficient to finance our long-term plans and commitments. It reports regularly to the Finance and Growth Committee, which in turn, reports to the Board.
Appraisal of investment decisions	All housing new build investment decisions and other major commitments are subject to appraisal and approval by the relevant governance forum, depending on the value of the transaction. All transactions with a capital value in excess of £10m are approved by a forum with a majority of non-executives.
Internal audit	They are carried out in an audit programme focusing on the areas of highest risk within the business. This is an outsourced service that in 2024/25 was delivered by our advisers, BDO. The internal audit programme is determined by the Audit and Risk Committee annually by reference to a rolling three-year programme that aims to ensure all key risk areas are audited at least every three years. Audit reports then identify any control weaknesses or areas for improvement and require management to implement corrective actions in relation to the areas of weakness/improvement.
Quality assurance reports	They look at specific areas of operational risk within our customer services, and the outcome of these reviews are reported to and considered at Executive team and by our Audit and Risk Committee.
Regulatory standards compliance	An annual report provides evidence of compliance against the RSH regulatory standards, which is reviewed by the Board and enables the Chair, on behalf of the Board, to certify compliance against the regulatory standards.
Health and safety risk monitoring	A Health and Safety Committee meets regularly to monitor the extent to which we meet our health and safety responsibilities. Reporting of health and safety key performance indicators and review of risks and controls occurs at each meeting of Executive team, Audit and Risk Committee and the Board to determine if health and safety risks are being adequately managed.

Assurance is also derived as to there being an adequate system of internal control from:

- The internal auditors who expressed this opinion in the 2024/25 internal audit annual report
- The external auditors who gave an unqualified opinion on the 2024/25 financial statements
- Financial controls that have shown themselves to be effective through the delivery of on budget financial performance in 2024/25
- A group-wide risk management function that seeks to proactively manage risk, so as to avoid any serious damage or impact to the Group, its customers or its assets. This includes a formal requirement to report on risk and how this will be mitigated in relation to new business and major development initiatives, and;
- The ongoing monitoring and scrutiny of our assurance framework by both the Executive team and the Audit and Risk Committee.

The key elements of the assurance framework are:

- Internal audit.
- External audit.
- Supporting people inspections by local authorities of our supported housing.
- Homes England (formerly the Homes and Communities Agency) annual audit of development programme performance.
- External funder reviews and annual financial/ governance reviews by credit rating agency, Moody's.
- Internal quality assurance frameworks
- Health and safety risk assessments and audit inspection outcomes
- Regular compliance checks and reporting to the Board inspection outcomes in relation to fire risk, hot water, asbestos, gas safety, legionella and electrical testing
- Business continuity planning and disaster recovery planning and externally-led testing of these plans
- Fraud reports, including annual fraud report to the housing Regulator, the Regulator of Social Housing
- Ad hoc audit reviews
- Whistleblowing reports
- Regulator of Social Housing regulatory judgement
- Experienced and suitably qualified staff take responsibility for important business functions
- Annual appraisals are carried out for all staff to assess their performance, and;
- Budgets are prepared that allow the Board and the Executive team to monitor the achievement of financial objectives throughout the year. Monthly management accounts are prepared and distributed promptly, providing relevant, reliable and up-to-date financial information and commentary that allows significant variances from budget or from Key Performance Indicators to be quickly understood and corrective actions put in place.

Regulator of Social Housing regulatory standards compliance

Registered Providers are required by the Regulator of Social Housing (RSH) to assess their compliance with the RSH's governance and financial viability standard. The Board has considered our compliance with these standards, and in line with the requirements of the RSH, hereby certifies that we comply with such standards.

During 2025, an inspection was carried out on us by the RSH. This resulted in a positive outcome with the Regulator confirming our regulatory judgement in March 2025 as G1/V1/C1, the highest possible rating.

Mergers and partnerships

The Board has updated its merger statement as it continues to review its position to deliver its long-term objectives and maintain compliance with the Regulator for Social Housing's Regulatory Framework. Whilst the Board does not have concerns about the longevity of Midland Heart, they are aware of the sector-wide capacity issues and how economies of scale may deliver optimisation of resources.

Conversely, the Board also understands its responsibility to safeguard our current tenants and is clear that any future activity should not jeopardise the planned investment in our homes, or adversely affect our service delivery.

The Board has adopted the National Housing Federation's merger code. This is a voluntary code that sets out ten core principles of conduct, which act as a framework for Boards to follow to evaluate and assess opportunities for merger, changes in group structures, and partnerships.

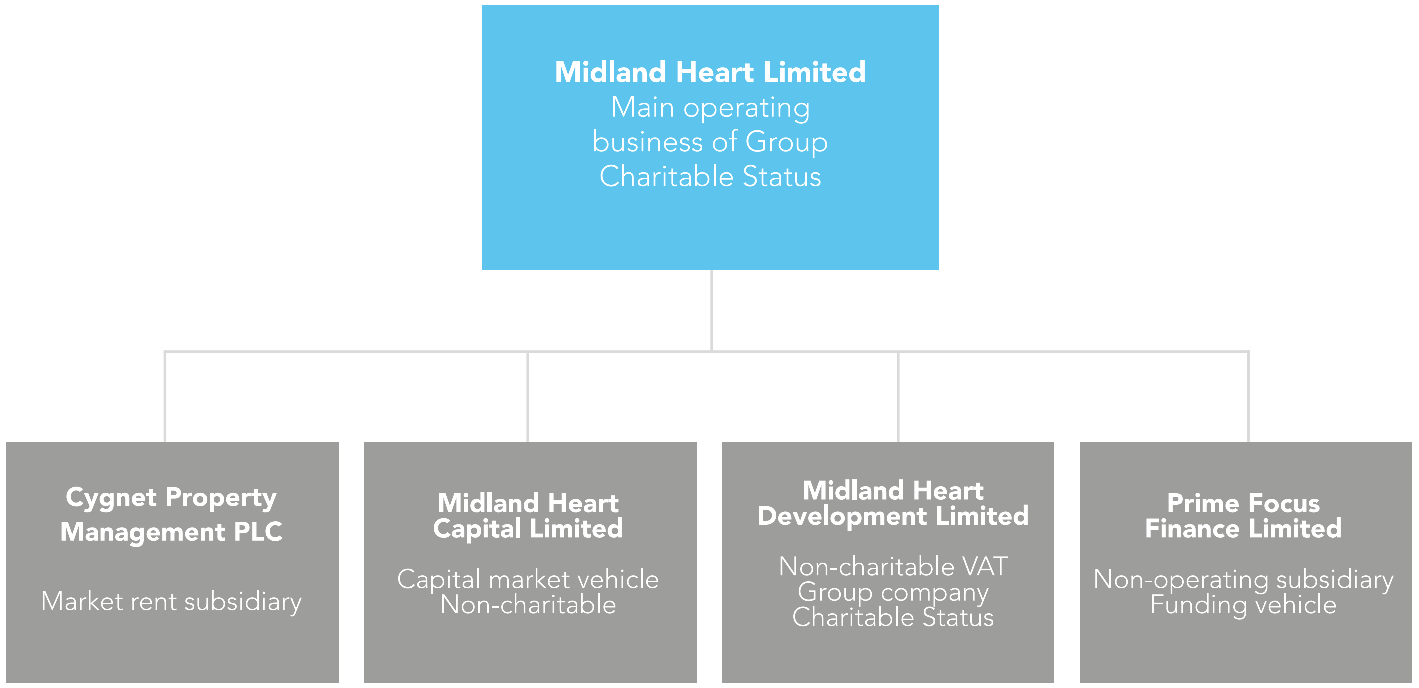
We have developed a merger and partnerships framework for assessing potential partners, which includes the following high level principles:

- **Geography:** we will seek to maintain our established base in the Midlands region.
- **Business focus:** we will seek to maintain our core business on general needs housing.
- **Financial:** we want to maintain our strong financial position and are not willing to significantly affect our viability or credit rating. We will not enter into any activity that would represent poor value for money for us or for our tenants.
- **Structure:** we cherish our unitary structure and whilst any merger or partnership activity may alter our structure in the short-term, we would seek to return to a unitary structure over time, and where it is in our interests to do so.
- **Customers:** We will ensure that any activity will be in the best interests of current and future tenants.

DIRECTORS' REPORT

The Board of Directors present their report, together with the financial statements, for the year ending 31 March 2025. Collectively, the Board of Directors are responsible for preparing the annual report and accounts, and consider that the annual report and accounts, taken as a whole, as fair, balanced and understandable, and provides the information necessary for stakeholders to assess Midland Heart's performance and strategy.

Organisation structure



Principal activities

The principal activities of the Group are the provision of housing and support. The Group's principal area of operation is across the Midlands.

Income and surplus for the year

The Group's activities generated turnover for the period of £243.1m (2023/24: £231.9m) on which a surplus of £67.2m (2023/24: £41.8m) was achieved. On 31 March 2025, revenue reserves totalled £639.5m (2023/24: £570.3m).

Legal proceedings

From time-to-time, Midland Heart and its subsidiaries may be involved in legal proceedings incidental to its operations. The outcome of such proceedings, either individually or in aggregate, is not expected to have a material effect upon the results of our operations or financial position.

Financial instruments

Information on the Group's use of financial instruments, financial risk management objectives and activities and exposure to credit liquidity and market risks is provided in the treasury management section.

Modern Slavery Act

We are committed to achieving greater clarity and understanding our supply chains to seek out and deal with any evidence of slavery and human trafficking. We recognise that no supply chain can be considered entirely free from the potential for slavery or human trafficking to occur, and we are endeavouring to take further steps to understand high risk areas, communicate our approach and take positive action, where appropriate. Our full statement on modern slavery and human trafficking can be found on our website.

Health and safety

Health and safety continues to be our number one priority. We provide safe homes for our customers and safe places to work for our colleagues. For us, health and safety is never a tick box exercise.

Our Corporate Plan puts customer and colleague safety at its centre. Responding to events outside of our business, we are committed to ensure concerns about safety can be raised as quickly and seamlessly as possible. We make sure that we respond to any concerns connected to safety; we are open and transparent about what needs to be improved and how it will be done.

To continuously monitor health and safety, the Safe and Strong Group and its sub committees are well bedded in providing a platform for two-way communication throughout the organisation, involving representatives across the business. The Building Safety Concerns process allows us to monitor issues arising that could impact the safety of our buildings.

Investment for the future

We are committed to investing in our properties and the communities in which we serve. During the year, we invested £45.3m (2023/24: £39.9m) in our homes. Our asset management strategy also provides for the disposal of properties that sit outside of our core operational area. Proceeds from these properties are used to fund the development of properties within our core area.

Policy on payment to suppliers

We are committed to paying suppliers in line with the payment terms agreed with those suppliers.

Auditors

KPMG LLP have been our auditors for 18 years, with the current contract due for tender in 2025 for the 2025/26 audit. Non audit services are set out in the engagement letter as approved by our Audit and Risk Committee.

The resolutions for their re-appointment and to authorise the directors to determine their remuneration will be proposed at the AGM on 24 September 2025. The auditors' fees for audit and non-audit work are disclosed in Note 9 to the financial statements.

Going concern

The Board has considered those areas that could give rise to significant financial exposure and is satisfied that no material or significant exposures exist other than those reflected in these financial statements and that Midland Heart Limited and the Group have adequate resources to continue its operations for the foreseeable future.

We have a strong capital position with high levels of favourable financing facilities and of cash holdings.

No significant concerns have been noted and for this reason the going concern basis has been adopted in preparing the financial statements.

Long-term viability

As part of our annual business planning process, the Board considered a range of stress test scenarios and assessed Midland Heart's ability to meet its obligations over a 30-year period.

Based on this assessment, the Board has a reasonable expectation that Midland Heart will be able to continue to operate and meet its liabilities as they fall due over the viability period of 30 years.

STATEMENT OF BOARD'S RESPONSIBILITY

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

Co-operative and community benefit society law requires the Board to prepare financial statements for each financial year. Under those regulations, the Board has elected to prepare the financial statements in accordance with UK accounting standards, including FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of its income and expenditure for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK accounting standards and the statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Assess the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations or has no realistic alternative but to do so.

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

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

The directors who held office at the date of approval of these Financial Statements confirm that, as far as they are each aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Sarah McMeekin
Company Secretary
30 July 2025

Llewellyn Graham
Chair
30 July 2025

INDEPENDENT AUDITOR'S REPORT TO MIDLAND HEART LIMITED

Opinion

We have audited the financial statements of Midland Heart Limited ("the Association") for the year ended 31 March 2025 which comprise the group and association statements of comprehensive income, the group and association statements of financial position, the group cash flow statement, the statement of movement in reserves and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and the Association as at 31 March 2025 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the valuation of investment properties, the valuation of financial instruments and the valuation of defined benefit pension obligations. On this audit we do not believe there is a fraud risk related to revenue recognition because the majority of revenue streams consist of routine transactions with non-complex recognition criteria.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual revenue combinations, unusual cash journals combinations and unusual borrowings journals combinations.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

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

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

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

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative and community benefit societies legislation), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 78, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

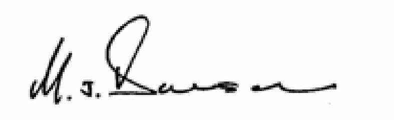
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities.

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

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



Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

30 July 2025

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	2025 £'000	2024 £'000
Turnover	3	243,059	231,894
Operating expenditure	3	(178,426)	(169,192)
Surplus on disposal of property, plant and equipment	6	27,384	4,252
(Loss) Surplus on revaluation of investment properties	11	(277)	(587)
Operating Surplus	**3**	**91,740**	**66,367**
Interest receivable		3,676	3,644
Interest and financing costs	8	(27,962)	(27,998)
Surplus before Tax	**9**	**67,454**	**42,013**
Taxation	10	(210)	(241)
Surplus for the year		**67,244**	**41,772**
Other comprehensive income			
Movement in fair value of cash flow hedged financial instruments	24	5,440	4,562
Actuarial gain/(loss) on defined benefit scheme	25	1,960	(4,718)
Total comprehensive income for the year		**74,644**	**41,616**

The results for both years are wholly attributable to continuing activities.

These financial statements were approved by the Board of Directors on 30 July 2025 and signed on its behalf by:

Member
Llewellyn Graham

Member
Dominic Wong

Member
Glenn Harris MBE

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

	Notes	2025 £'000	2024 £'000
Turnover	3	242,277	230,233
Operating costs	3	(177,826)	(167,546)
Surplus on disposal of property, plant and equipment	6	27,332	4,255
Operating Surplus	**3**	**91,783**	**66,942**
Interest receivable	7	3,642	3,584
Interest and financing costs	8	(27,449)	(27,348)
Surplus before Tax	**9**	**67,976**	**43,178**
Taxation	10	-	-
Surplus for the year		**67,976**	**43,178**
Other comprehensive income			
Movement in fair value of cash flow hedged financial instruments	24	5,440	4,562
Actuarial gain/(loss) on defined benefit scheme	25	1,960	(4,718)
Total comprehensive income for the year		**75,376**	**43,022**

The results for both years are wholly attributable to continuing activities.

These financial statements were approved by the Board of Directors on 30 July 2025 and signed on its behalf by:

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GROUP STATEMENT OF FINANCIAL POSITION

	Notes	2025 £'000	2024 £'000
Fixed Assets			
Tangible Assets:			
Housing properties	12	1,880,882	1,898,467
Investment properties	11	23,548	24,370
Other fixed assets	13	43,376	47,576
Homebuy loans receivable	14	90	90
Fixed asset investments	15	570	801
Total Fixed Assets		**1,948,466**	**1,971,304**
Current Assets			
Debtors	17	19,821	17,463
Properties for sale and work in progress	18	20,022	12,820
Cash and cash equivalents	19	76,873	39,364
		116,716	**69,647**
Creditors: Amounts falling due within one year	20	(70,831)	(71,073)
Net Current Assets / (Liabilities)		**45,885**	**(1,426)**
Total Assets less Current Liabilities		**1,994,351**	**1,969,878**
Creditors: Amounts falling due after more than one year	21	(1,347,301)	(1,390,934)
Pension – defined benefit liability	25a	(15,844)	(22,382)
Total Net Assets		**631,206**	**556,562**
Reserves			
Revenue reserves		639,502	570,298
Cash flow hedge reserve		(8,296)	(13,736)
Total Reserves		**631,206**	**556,562**

These financial statements were approved by the Board of Directors on 30 July 2025 and signed on its behalf by:

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ASSOCIATION STATEMENT OF FINANCIAL POSITION

	Notes	2025 £'000	2024 £'000
Fixed Assets			
Tangible Assets:			
Housing properties	12	1,890,106	1,899,180
Other fixed assets	13	43,354	47,550
Homebuy loans receivable	14	90	90
Investments	15	470	801
Investments in subsidiaries	16	6,067	6,067
Total Fixed Assets		**1,940,087**	**1,953,688**
Current Assets			
Debtors	17	19,872	23,037
Stock and work in progress	18	20,022	12,820
Cash and cash equivalents	19	75,833	38,437
		115,727	**74,294**
Creditors: Amounts falling due within one year	20	(65,582)	(63,406)
Net Current Assets		**50,145**	**10,888**
Total Assets less Current Liabilities		**1,990,232**	**1,964,576**
Creditors: Amounts falling due after more than one year	21	(1,345,370)	(1,388,552)
Pension - defined benefit liability	25a	(15,844)	(22,382)
Total Net Assets		**629,018**	**553,642**
Reserves			
Revenue reserves		637,314	567,378
Cash flow hedge reserve		(8,296)	(13,736)
Total Reserves		**629,018**	**553,642**

These financial statements were approved by the Board of Directors on 30 July 2025 and signed on its behalf by:

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GROUP CASH FLOW STATEMENT

	Notes	2025 £'000	2024 £'000
Cash Flows from Operating Activities			
Operating Surplus		91,740	66,367
Adjustments for:			
Depreciation and impairment charges		34,784	34,014
Amortisation of grant		(8,087)	(8,857)
Surplus on disposal of property, plant and equipment		(27,384)	(4,252)
Loss on revaluation of investment properties		277	587
Interest received		3,424	3,790
Interest and financing costs (including capitalised interest)		(29,217)	(28,005)
Increase in debtors		(2,358)	(3,961)
(Decrease)/increase in stock		(7,202)	7,220
Increase / (decrease) in creditors		4,072	(3,092)
Decrease / (increase) in pension - defined benefit liability		1,960	(4,718)
Tax paid		269	93
Net Cash flow from Operating Activities		**62,278**	**59,186**
Cash Flows from Investing Activities			
Acquisition and construction of housing properties		(148,736)	(175,282)
Social housing grant received		43,373	30,331
Sales of housing properties		117,033	27,751
Net decrease in investments and loans to other associations		231	398
Purchase of other tangible fixed assets		(6,090)	(7,154)
Net Cash flow from Investing Activities		**5,811**	**(123,956)**
Cash Flows from Financing Activities			
Loan advances received		13,500	18,000
Loan principal repayments		(44,080)	(14,919)
Net Cash flow from Financing Activities		**(30,580)**	**3,081**
Net increase/(decrease) in cash and cash equivalents	33	**37,509**	**(61,689)**
Cash and cash equivalents at the start of the year	19	39,364	101,053
Cash and cash equivalents at the end of the year	**19**	**76,873**	**39,364**

STATEMENT OF MOVEMENT IN RESERVES

Group	Income and Expenditure Reserves £'000	Cash flow hedge reserve £'000	Total Reserves £'000
At 1 April 2023	**533,244**	**(18,298)**	**514,946**
Surplus for the year	41,772	-	41,772
Movement in cash flow hedge	-	4,562	4,562
Movement in defined benefit pension obligations	(4,718)	-	(4,718)
At 31 March 2024	**570,298**	**(13,736)**	**556,562**
Surplus for the year	67,244	-	67,244
Movement in cash flow hedge	-	5,440	5,440
Movement in defined benefit pension obligations	1,960	-	1,960
At 31 March 2025	**639,502**	**(8,296)**	**631,206**

Associations	Income and Expenditure Reserves £'000	Cash flow hedge reserve £'000	Total Reserves £'000
At 1 April 2023	**528,918**	**(18,298)**	**510,620**
Surplus for the year	43,178	-	43,178
Movement in cash flow hedge	-	4,562	4,562
Movement in defined benefit pension obligations	(4,718)	-	(4,718)
At 31 March 2024	**567,378**	**(13,736)**	**553,642**
Surplus for the year	67,976	-	67,976
Movement in cash flow hedge	-	5,440	5,440
Movement in defined benefit pension obligations	1,960	-	1,960
At 31 March 2025	**637,314**	**(8,296)**	**629,018**

NOTES TO THE FINANCIAL STATEMENTS

(Forming part of the financial statements)

1. LEGAL STATUS

Midland Heart Limited is a Registered Society limited by shares registered under the Co-operative and Community Benefit Societies Act 2014 (Registration number 30069R) and with the Regulator of Social Housing (Registration number L4466). Midland Heart Limited is a public benefit entity.

The registered office is 20 Bath Row, Birmingham, B15 1LZ.

Details of the group entities are set out in Note 31.

2. ACCOUNTING POLICIES

2A. BASIS OF ACCOUNTING

The financial statements of the Group (Midland Heart Ltd and its group entities) are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2024, the Co-operative and Community Benefit Societies Act 2014 and the Housing Regeneration Act 2008.

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

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

Judgements and key sources of estimation uncertainty

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

Tangible fixed assets: Other than investment properties, tangible fixed assets 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. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment: The expected net realisable value of properties developed for outright/shared ownership sales and work in progress are reviewed and impairment is made when a loss is anticipated.

Bad debts: The recoverability of rental and trade debtors is assessed based on the likelihood of collection, on a portfolio basis for rental debtors and an individual basis for sales debtors.

2A. BASIS OF ACCOUNTING (CONTINUED)

Revaluation of investment properties: The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 March 2025. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in Note 11.

Shared ownership properties: where the Group sells a property as part of staircasing process, it creates an obligation to pay for essential and initial repairs during the first ten years or a shared owner acquires 100% of the ownership. This obligation is recognised as a provision within the accounts.

Pension and other post-employment benefits: The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

The Group participates in a defined benefit plan as set out below:

Social Housing Pension Scheme

SHPS is a multi-employer scheme that provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. For financial years ending on or before 28 February 2019, it was not possible for the Group to obtain sufficient information to account for the liability on a full FRS 102 valuation basis, so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the accounts as creditors falling within and more than one year.

As a result of additional information, SHPS are now able to split the pension liability by employer, which has resulted in the scheme liability being accounted for adopting a full FRS 102 valuation for financial years on or after 31 March 2019. Further details are given in Note 25.

Impairment of non-financial assets: Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the estimated recoverable amount. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

2B. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results of Midland Heart Limited and all of its subsidiary undertakings as at 31 March 2025, using the acquisition or merger method of accounting, as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control.

2C. MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, investment property.

2D. GOING CONCERN

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

The Group prepares a 30-year business plan, which is updated and approved on an annual basis. The most recent business plan was approved in June 2025 by the Board. As well as considering the impact of a number of scenarios on the business plan, the Board also adopted a stress-testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the group and company budgets for 2025-26 and the group's medium-term financial position, as detailed in the 30-year business plan, the Group and company have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board has considered through multi-variant stress testing:

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes.
- Maintenance costs – budget and business plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years.
- Inflation – given the high volatility in the current global/UK environment, CPI/RPI assumptions, as well as differential inflation on various elements, such as energy costs, development costs etc have been stressed tested to take into account the increasing cost base.
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents.
- Liquidity – current available cash and unutilised loan facilities of c£346m, which gives significant headroom for committed spend and other forecast cash flows that arise.
- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

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

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

2E. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example, land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance lease. All other leases are classified as operating leases.

2E. TANGIBLE FIXED ASSETS (CONTINUED)

Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

2F. HOUSING PROPERTIES

Tangible housing fixed assets principally available for rent are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings (including applicable stamp duty), construction costs, directly attributable development and administration costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements that comprise the modernisation and extension of existing properties.

Directly attributable development costs are the labour costs arising from acquisition or construction, and the incremental costs that would have been avoided only if the property had not been constructed or acquired.

Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred into housing properties held for letting at practical completion.

Shared ownership properties are split between fixed and current assets, with the element relating to the expected first tranche sale being treated as a current asset. Any surplus made on the sale of the first tranche is treated as turnover in the Statement of Comprehensive Income in accordance with the treatment in the SORP update 2018. Second and subsequent tranche surpluses or deficits are shown on a net basis before operating surplus has been determined.

Depreciation

Where a housing property comprises two or more major components with substantially different Useful Economic Lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each component. Land is not depreciated. The estimated useful lives are as follows:

- Structure 100 years
- Boilers 15 years
- Windows and doors 30 years
- Roofs 75 years
- Kitchens 20 years
- Bathrooms 30 years
- Heating 30 years
- Sprinklers 25 years
- Solar panels 25 years
- Air source heat pumps 15 years

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

Properties held on leases (and associated components) are depreciated over the shorter of the length of the lease, or their estimated useful life.

Non component works to existing properties

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

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31 March 2025, interest has been capitalised at an average rate of 4.35% (2024: 4.35%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

2G. OTHER TANGIBLE FIXED ASSETS

Other tangible assets include those assets with an individual value in excess of £500.

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

Freehold office buildings	50 years
Furniture and equipment	3 to 28 years (dependent on whether item is service chargeable)
Motor vehicles	4 years
Computers and software	3 or 6 years

2H. INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in Statement of Comprehensive Income for the period.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at amortised cost.

2I. SOCIAL HOUSING AND OTHER GOVERNMENT GRANTS

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income is included as part of turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If the grant is not required to be recycled or repaid, any unamortised grant is recognised as income in the Statement of Comprehensive Income. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Non-monetary government grant

On disposal assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

Recycling of capital grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Properties developed for outright sale

Shared ownership first tranche sales and completed properties for outright sale are disclosed as a current asset, stated at the lower of cost and net realisable value. Cost comprises materials, direct labour costs and other direct overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

2J. NON-GOVERNMENT GRANTS

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where the grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as income in the Statement of Comprehensive Income.

2K. SUPPORTED HOUSING MANAGED BY AGENCIES

Social housing capital grants are claimed by the Group as developer and owner of the property and included in the Statement of Financial Position of the Group. The treatment of other income and expenditure in respect of supported housing projects depends upon the nature of the partnership arrangements between the Group and its managing agents and on whether the Group carries the financial risk.

Where the Group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the Group's Statement of Comprehensive Income. Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the Statement of Comprehensive Income includes only that income and expenditure that relates solely to the Group.

2L. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2M. BUSINESS COMBINATIONS

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

2N. INVESTMENT PROPERTY

Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income.

2O. IMPAIRMENT

Financial assets (including trade and other debtors)

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

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

Non-financial assets

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount or service potential (depreciated replacement cost).

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

2P. EMPLOYEE BENEFITS

The Group participates in the Social Housing Pension Scheme, a multi-employer defined benefit final salary scheme managed by The Pensions Trust.

Contributions are based on pensions costs across the various participating associations taken as a whole. The assets of the scheme are invested and managed separately from those of the Group in an independently administered fund.

A full actuarial valuation for the scheme, which was carried out with an effective date of 30 September 2024, showed a substantial deficit; to eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers. Further details are given in Note 25 to the financial statements.

The difference between the value of defined benefit pension scheme assets and the defined benefit pension scheme liabilities is recorded on the Statement of Financial Position as a defined pension liability.

Defined benefit pension scheme assets are measured at fair value using the market value of the assets of the scheme applied to the Group's percentage share of the total funding liabilities of the scheme. Defined benefit pension scheme liabilities are measured by calculating the liability for the appropriate members linked to the Group. The liabilities for orphan members (members with no remaining sponsorship employer for historical reasons) has been allocated to each employer's share of the overall liabilities.

Expenses, representing the cost to SHPS of running the scheme, is included in operating costs. Net interest cost is calculated by applying the discount rate used for the scheme liabilities to the net obligation.

Changes in the defined benefit obligation that arise from:

- Differences between the return on scheme assets and interest income included in the Statement of Comprehensive Income;
- Actuarial gains and losses from experience adjustments; and
- Changes in demographic or financial assumptions

are classified as remeasurements, charged or credited to Other Comprehensive Income in the period in which they arise.

The defined benefit scheme was closed to new members in October 2010. A defined contribution scheme is in place to new members. Employer contributions to this scheme are charged to the Statement of Comprehensive Income as they are incurred.

The disclosures in these financial statements follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Termination benefits

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

2R. TURNOVER

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low cost home ownership and from properties developed for open market sales, grants from local authorities and amortisation of Social Housing Grant (SHG) from Homes England under the accrual model.

Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

2S. SERVICE CHARGE

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. Where variable service charges are used, the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required, a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long-term creditors.

2T. EXPENSES

Cost of sales

Cost of sales represents the costs, including capitalised interest and direct overheads incurred in the development of the properties, and marketing, and other incidental costs incurred in the sale of the properties.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the Statement of Comprehensive Income over the term of the lease as an integral part of the total lease expense.

Finance lease

The interest element of rental obligations is charged to the Statement of Comprehensive Income over the period of the lease in proportion to the balance of capital repayments outstanding. Contingent rents are charged as expenses in the periods in which they are incurred.

Repairs and maintenance

Due to the number of properties held and the establishment of regular programmes of repair and maintenance, the Group does not make provision for future works, but charges actual costs incurred to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities, loan fees, and finance leases recognised in income and expenditure using the effective interest method and unwinding of the discount on provisions that are recognised in the Statement of Comprehensive Income (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use are capitalised up to the date of practical completion of the scheme based on the average rate paid on borrowings.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in income and expenditure as they accrue. Dividend income is recognised in the Statement of Comprehensive Income on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable surpluses.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on its expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset as appropriate.

2U. RELATED PARTY TRANSACTIONS

The Association is exempt from the requirement of FRS 102 to disclose transactions between Group undertakings as all companies are controlled and managed by Governing Bodies and an Executive Board appointed by the Board of Management of the Parent Company.

2V. FINANCIAL INSTRUMENTS

Financial Instruments that meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model. These include loans whereby there are two-way breakage clauses. They are regarded as basic as their purpose is to minimise breakage costs where the rates are in our favour and not to act as an option for investment purposes. To do so would contradict our treasury management policy.

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

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

Non-basic financial instruments include all non-basic instruments and derivatives, such as swaps, and are accounted for under section 12 of FRS 102 and measured at fair value through the Statement of Comprehensive Income unless hedge accounting is applied.

All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset either directly or indirectly from quoted prices. Loans and Bonds are valued at amortised cost and market values for the standalone Swaps are obtained by discounting the cash flows at the prevailing Swap curve. All other assets and liabilities are shown at historical book value.

Midland Heart's variable rate debt is partly covered by interest rate hedges, using standalone interest rate Swaps and in accordance with FRS 102, hedge accounting has been applied to all standalone Swaps.

Hedging

Interest rate Swaps relate to fixing variable rate interest and are therefore designated as cash flow hedges.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction, which could affect income or expenditure. They are measured at fair value at each reporting date. Gains and losses on cash flow hedges that are highly effective are recognised in Other Comprehensive Income and accumulated in the cash flow hedge reserve. Any ineffective portion of a gain or loss on cash flow hedges is recognised in the Statement of Comprehensive Income.

In order to apply hedge accounting, an economic relationship must exist between the hedged item and the hedging instrument. The Group must formally designate and document the hedging relationship at inception, so that the risk being hedged, the hedged item and the hedging instrument are clearly identified, and the risk management objective and for undertaking the hedge. It is also required to determine and document the causes of hedge ineffectiveness.

In a cash flow hedge, if the hedged future cash flows are no longer expected to occur, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the cash flow hedge reserve to the Statement of Comprehensive Income immediately.

All of the Groups standalone swaps satisfy the above criteria and the group has chosen to test the effectiveness of its hedges annually.

Impairment

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

(a) All equity instruments regardless of significance; and

(b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

3A. GROUP TURNOVER, OPERATING COSTS, OPERATING EXPENDITURE AND OPERATING SURPLUS

	2025					2024
	Turnover £'000	Operating Costs £'000	Surplus on disposals £'000	Surplus on investment properties £'000	Operating Surplus/ (Deficit) £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings	**215,606**	**155,499**	**-**	**-**	**60,107**	**58,597**
Other social housing activities:						
Community-based activity	-	468	-	-	(468)	-
Development services and costs not capitalised	-	122	-	-	(122)	788
1st tranche shared ownership sales	19,239	16,648	-	-	2,591	2,068
Other income	1,934	1,351	-	-	583	(698)
Total	**21,173**	**18,589**	**-**	**-**	**2,584**	**2,158**
Activities other than Social Housing Lettings:						
Charges for support services	1,536	1,665	-	-	(129)	(191)
Market rent lettings	1,570	600	-	-	970	991
Student lettings	272	211	-	-	61	60
Commercial	1,252	658	-	-	594	646
Leased to other parties	1,650	1,204	-	-	446	441
Disposal of property, plant and equipment	-	-	27,384	-	27,384	4,252
Revaluation of investment properties	-	-	-	(277)	(277)	(587)
Total	**6,280**	**4,338**	**27,384**	**(277)**	**29,049**	**5,612**
Total from Social and Non-Housing Activities	**243,059**	**178,426**	**27,384**	**(277)**	**91,740**	**66,367**

3B. GROUP TURNOVER, OPERATING COSTS, OPERATING EXPENDITURE AND OPERATING SURPLUS (CONTINUED)

Particulars of turnover and operating expenditure from Social Housing Lettings

	2025					2024
	General Needs Housing £'000	Supported Housing £'000	Residential Care Homes £'000	Shared Ownership Accommo-dation £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges, net of voids	154,378	17,235	-	8,048	179,661	168,713
Service charge income	9,948	13,931	-	1,334	25,213	28,493
Amortised government grants (accrual model)	6,629	1,157	6	295	8,087	8,658
Net Rental Income	**170,955**	**32,323**	**6**	**9,677**	**212,961**	**205,864**
Other income	376	1,426	53	790	2,645	2,998
Turnover from Social Housing Lettings	**171,331**	**33,749**	**59**	**10,467**	**215,606**	**208,862**
Management	28,873	3,853	33	2,966	35,725	33,890
Service charge costs	10,510	16,504	-	1,266	28,280	30,747
Routine maintenance	35,058	5,572	28	279	40,937	36,531
Planned maintenance	6,507	1,310	20	2	7,839	8,146
Major repairs expenditure	8,466	1,782	30	34	10,312	9,407
Depreciation of housing properties	24,994	3,541	10	1,185	29,730	28,759
Bad debts	913	146	-	7	1,066	1,440
Lease costs	944	580	-	86	1,610	1,345
Operating Costs on Social Housing Lettings	**116,265**	**33,288**	**121**	**5,825**	**155,499**	**150,265**
Operating Surplus on Social Housing Lettings	**55,066**	**461**	**(62)**	**4,642**	**60,107**	**58,597**
Void losses	(1,145)	(820)	-	(13)	(1,978)	(1,861)

3C. ASSOCIATION TURNOVER, OPERATING COSTS, OPERATING EXPENDITURE AND OPERATING SURPLUS

	2025				2024
	Turnover	Operating Costs	Surplus on disposals	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	**215,606**	**155,500**	**-**	**60,106**	**58,878**
Other Social Housing Activities:					
Community-based activity	-	468	-	(468)	-
Development services and costs not capitalised	765	122	-	643	788
1st tranche shared ownership sales	19,239	16,648	-	2,591	2,068
Other income	1,958	1,351	-	607	-
Total	**21,962**	**18,589**	**-**	**3,373**	**2,856**
Activities other than Social Housing Lettings:					
Charges for support services	1,535	1,664	-	(129)	(193)
Student lettings	272	211	-	61	60
Commercial	1,252	658	-	594	645
Leased to other parties	1,650	1,204	-	446	441
Disposal of property, plant and equipment	-	-	27,332	27,332	4,255
Total	**4,709**	**3,737**	**27,332**	**28,304**	**5,208**
Total from Social and Non-Housing Activities	**242,277**	**177,826**	**27,332**	**91,783**	**66,942**

3D. ASSOCIATION TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (CONTINUED)

Particulars of turnover and operating expenditure from Social Housing Lettings

	2025					2024
	General Needs Housing	Supported Housing	Residential Care Homes	Shared Ownership Accommo-dation	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges, net of voids	154,378	17,235	-	8,048	179,661	168,713
Service charge income	9,948	13,931	-	1,334	25,213	28,767
Amortised government grants (accrual model)	6,629	1,157	6	295	8,087	8,658
Net Rental Income	**170,955**	**32,323**	**6**	**9,677**	**212,961**	**206,138**
Other income	376	1,426	53	790	2,645	3,279
Turnover from Social Housing Lettings	**171,331**	**33,749**	**59**	**10,467**	**215,606**	**209,417**
Management	28,874	3,853	33	2,966	35,726	33,890
Service charge costs	10,510	16,504	-	1,266	28,280	31,021
Routine maintenance	35,058	5,572	28	279	40,937	36,531
Planned maintenance	6,507	1,310	20	2	7,839	8,146
Major repairs expenditure	8,466	1,782	30	34	10,312	9,407
Depreciation of housing properties	24,994	3,541	10	1,185	29,730	28,759
Bad debts	913	146	-	7	1,066	1,440
Lease costs	944	580	-	86	1,610	1,345
Operating Costs on Social Housing Lettings	**116,266**	**33,288**	**121**	**5,825**	**155,500**	**150,539**
Operating Surplus on Social Housing Lettings	**55,065**	**461**	**(62)**	**4,642**	**60,106**	**58,878**
Void losses	(1,145)	(820)	-	(13)	(1,978)	(1,861)

4. DIRECTORS' EMOLUMENTS

	2025 £'000	2024 £'000
Aggregate emoluments payable to Directors (including pension contributions and benefits in kind)	1,335	1,003
Emoluments (excluding pension contributions) payable to the Chief Executive, who was also the highest paid Director	387	353

Pension contributions for the Chief Executive were paid as a supplement to his salary.

There were five Directors in the Group's pension scheme described in Note 25 (2024: 3).

Salaries were independently reviewed by Chameleon People Solution, a specialist HR consultant commissioned by our Remuneration and Executive Search Committee.

Basic salaries and car allowances are pensionable pay, which is in line with the whole workforce.

Executive Directors' pay is based on in-year performance based on objectives set as with the whole workforce. This is then reviewed by the remuneration committee.

For the purposes of this note, Directors are defined as members of the Board of Management and the Executive Board.

Included in the above are the emoluments in respect of Directors' services in connection with the affairs of subsidiary undertakings.

The members of the Executive Board were remunerated as follows:

Director	Position	Date of Appointment	Date of Resignation	Salaries £'000	Taxable benefits £'000	Pensions & equivalent £'000	Total 2025 £'000	Total 2024 £'000
Glenn Harris	Chief Executive Officer	29/03/2018		345	13	29	387	353
David Taylor	Executive Director of Tenancy Services	15/04/2015		219	9	18	246	225
Joe Reeves	Executive Director of Finance and Growth	08/07/2013		219	9	18	246	225
Baljinder Kang	Executive Director of Corporate Resources	01/06/2018		203	9	17	229	200
Sayeed Haris	Executive Director of Property Services	01/04/2024		187	9	8	204	-
Daren Nowlan	Executive Director of Tenancy Services	28/02/2025		19	2	2	23	-

The aggregate amount of Directors' pensions recognised within these financial statements for the year ended 31 March 2025 is £63k (2024: £47k)

The aggregate compensation for loss of office of key management personnel was £nil (2024: £nil)

4. DIRECTORS' EMOLUMENTS (CONTINUED)

Members of the Board of Management, subsidiary Boards and Committees have been remunerated as follows:

Director	Date of Appointment		Total 2025 £'000	Total 2024 £'000
Llewellyn Graham	Chair Appointed 01/04/2024		33	14
Dominic Wong			17	15
Louise Mcfadzean			15	14
Dasos Christou	Appointed 27/09/2023		15	9
Abigaile Leigh Bromfield	Appointed 27/09/2023		13	9
Pamela Leonce	Appointed 27/09/2023		13	6
Chiluba Musukuma			11	5
Caroline Waters			5	5
Peter Cheer			5	5
Deborah Jinks			5	5
Amarjit Singh			5	5
Camella Norford			5	2
Amit Rajput	Appointed 27/09/2023		5	2
Hina McKiernan	Appointed 27/09/2023		5	2
Richard Starkey	Appointed 01/01/2024		5	1
Daena Shimmon	Resigned 30/09/2024		2	5
John Lewis	Appointed 01/12/2024		2	-
Ian Austin	Appointed 27/09/2023	Resigned 01/03/2024	-	31
John Edwards	Resigned 27/09/2023		-	15
Martin Tiplady	Resigned 27/09/2023		-	8
Carole Mills	Resigned 27/09/2023		-	7
James Lockyer	Resigned 30/10/2023		-	3
Trevor Stanley	Resigned 27/09/2023		-	2
			161	170

5. EMPLOYEE INFORMATION

	Group		Association	
	2025 Number	2024 Number	2025 Number	2024 Number
Asset management	266	249	266	249
Central services	210	200	210	200
Development	15	15	15	15
Operations	562	661	562	661
Average number of employees expressed as full time equivalents	**1,053**	**1,125**	**1,053**	**1,125**

A Full Time Equivalent employee is classified as working a fully contracted 35 hour week.

Staff costs (for the above persons)

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Wages and Salaries	45,236	42,759	45,236	42,759
Social security costs	4,596	4,246	4,596	4,246
Other pension costs	2,056	1,934	2,056	1,934
	51,888	**48,939**	**51,888**	**48,939**

The pension cost charge represents contributions payable to the pension fund.

Salary banding for all employees earning over £60,000 (including salaries, performance-related pay, benefits in kind, compensation for loss of office and pension contributions):

Salary Range	2025 Number	2024 Number
£380,000 to £390,000	1	-
£360,000 to £380,000	-	-
£350,000 to £360,000	-	1
£250,000 to £350,000	-	-
£240,000 to £250,000	2	-
£230,000 to £240,000	-	-
£220,000 to £230,000	1	2
£210,000 to £220,000	-	-
£200,000 to £210,000	1	-
£190,000 to £200,000	-	1
£180,000 to £190,000	1	-

Salary Range	2025 Number	2024 Number
£160,000 to £180,000	-	-
£150,000 to £160,000	2	2
£140,000 to £150,000	1	1
£130,000 to £140,000	6	1
£120,000 to £130,000	2	4
£110,000 to £120,000	4	5
£100,000 to £110,000	8	4
£90,000 to £100,000	11	7
£80,000 to £90,000	16	11
£70,000 to £80,000	27	27
£60,000 to £70,000	45	46
	128	112

6A. SURPLUS ON SALE OF FIXED ASSETS - GROUP

	2025			2024		
	Proceeds £'000	Cost of Sales £'000	Surplus £'000	Proceeds £'000	Cost of Sales £'000	Surplus £'000
Staircasing on shared ownership	6,176	3,499	2,677	5,285	2,821	2,464
Other property sales	110,857	86,150	24,707	8,873	7,085	1,788
	117,033	**89,649**	**27,384**	**14,158**	**9,906**	**4,252**

6B. SURPLUS ON SALE OF FIXED ASSETS – ASSOCIATION

	2025			2024		
	Proceeds £'000	Cost of Sales £'000	Surplus £'000	Proceeds £'000	Cost of Sales £'000	Surplus £'000
Staircasing on shared ownership	6,176	3,499	2,677	5,285	2,821	2,464
Other property sales	110,244	85,589	24,655	6,277	4,486	1,791
	116,420	**89,088**	**27,332**	**11,562**	**7,307**	**4,255**

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Interest receivable on financial assets measured at amortised cost:				
Interest on investments	3,308	3,400	3,274	3,340
Equity investment realisation	368	244	368	244
Total interest receivable and similar income	**3,676**	**3,644**	**3,642**	**3,584**

8. INTEREST AND FINANCING COSTS

	Group 2025 £'000	Group 2024 £'000	Association 2025 £'000	Association 2024 £'000
Interest payable on financial liabilities measured at amortised cost:				
Housing loans	25,445	25,789	24,966	25,183
Discounted bonds	1,822	1,744	1,822	1,744
Interest on finance leases	733	705	733	705
Notional interest on Recycled Capital Grant Fund	515	669	515	669
	28,515	**28,907**	**28,036**	**28,301**
Interest on derivatives treated as fair value hedging instruments:				
Interest payable on loan swap arrangements	(46)	(74)	(46)	(74)
Interest capitalised	(3,075)	(3,145)	(3,075)	(2,503)
Loan fees	1,607	1,364	1,573	678
Change to measurement of net finance cost on Social Housing Pension Scheme liability	961	946	961	946
Total interest and financing costs	**27,962**	**27,998**	**27,449**	**27,348**

Interest was capitalised at an average rate of 4.35% (2024: 4.35%).

9. SURPLUS BEFORE TAXATION IS STATED AFTER CHARGING

	Group 2025 £'000	Group 2024 £'000	Association 2025 £'000	Association 2024 £'000
Depreciation of housing property fixed assets	30,130	29,224	30,130	29,224
Depreciation of non-housing property fixed assets	4,671	4,790	4,654	4,760
Auditors' remuneration - audit fees				
- Group fees	170	158	162	150
- other Group services	52	53	52	53
Payments under operating leases				
- Plant	1,610	1,341	1,610	1,341
- Office	-	51	-	51

10. TAXATION ON SURPLUS ON ORDINARY ACTIVITIES

	Group 2025 £'000	Group 2024 £'000	Association 2025 £'000	Association 2024 £'000
a) Analysis of charge in the year – Group				
United Kingdom Corporation Tax on surplus of the period	213	239	-	-
Adjustments in respect of prior years	-	-	-	-
	213	**239**	**-**	**-**
Deferred tax	2	2	-	-
	210	**241**	**-**	**-**

10. TAXATION ON SURPLUS ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the tax charge for the year

The Corporation Tax charge is lower (2024: lower) than that resulting from applying the standard rate of Corporation Tax of 25% (2024: 25%) to the surplus before taxation.

The differences are explained below:

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Surplus on ordinary activities before tax	67,454	42,013	67,976	43,178
Tax payable at 25% (2024:25%) thereon	16,864	10,503	16,994	10,795
Expenses not deductible for tax purposes	302	416	-	-
Fixed asset differences	(5)	8	-	-
Prior period adjustments - current tax	-	(4)	-	-
Prior period adjustments - deferred tax	(1)	1	-	-
Capital gains	44	108	-	-
Exemption due to charitable status	(16,994)	(10,795)	(16,994)	(10,795)
Deferred tax not recognised	-	4	-	-
Total tax charge	**210**	**241**	**-**	**-**

11. INVESTMENT PROPERTIES HELD FOR LETTING: GROUP

	Market Rent Properties £'000	2025 £'000	2024 £'000
Valuation:			
At 1 April	24,370	24,370	27,526
Gain in valuation	(277)	(277)	(587)
Disposals during the year	(545)	(545)	(2,569)
At 31 March	**23,548**	**23,548**	**24,370**

Investment properties are valued annually by Savills, who are professionally qualified external valuers.

The valuation of properties was undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. In valuing the properties, the following significant assumptions were used:

The valuation of properties and portfolios subject to Assured and Secure tenancies is carried out with direct reference to comparable evidence, gleaned from the sales of similar tenanted portfolios and individual units, sold subject to Protected Tenancies and on Assured Shorthold Tenancies. There is an established body of evidence from portfolios traded on the open market to which we can refer.

The purchasers of residential investments are usually private investors or firms, who acquire vacant units and let on Assured Shorthold tenancies ("AST").

Investors tend to base their bid on their ability to "trade out" individual units at Market Value assuming vacant possession over time. In locations where there is a limited market or where a property is difficult to trade, owing to style or market conditions, investors will base their bid on rental return compared to capital cost.

The discount to MV-VP ranges from 10% for prime property to 50% where market conditions are difficult. Typical rates are around a 20% to 30% discount to MV-VP for properties subject to AST tenancies.

The yield applied to net income varies from 5% or less for prime property, to 7% or more for poorer locations. This equates to a yield on gross income (after deductions for management, maintenance & voids) of between 7% and 10%.

The discount and yield applied to Assured and Secure Tenancies is adjusted to reflect the additional security of tenure such tenants benefit from.

12A. HOUSING PROPERTIES - GROUP

	Housing Properties Held for Lettings £'000	Housing Properties in the Course of Construction £'000	Shared Ownership Housing Properties £'000	Shared Ownership Housing Properties in the Course of Construction £'000	Total £'000
Cost:					
At 1 April 2024	2,000,193	112,377	141,395	15,394	2,269,359
Additions	280	76,116	-	37,033	113,429
Improvements	34,999	-	-	-	34,999
Interest capitalised	-	2,125	-	950	3,075
Transferred on completion	125,306	(125,306)	25,117	(25,117)	-
Transfer to current assets	-	-	-	(22,315)	(22,315)
Transfer from current assets	-	-	3,671	-	3,671
Disposals	(147,708)	-	(3,269)	-	(150,977)
At 31 March 2025	**2,013,070**	**65,312**	**166,914**	**5,945**	**2,251,241**
Depreciation and impairment					
At 1 April 2024	360,016	-	10,876	-	370,892
Charge for the year	28,906	-	1,224	-	30,130
Eliminated on disposal	(30,301)	-	(362)	-	(30,663)
At 31 March 2025	**358,621**	**-**	**11,738**	**-**	**370,359**
Net Book Value					
At 31 March 2025	**1,654,449**	**65,312**	**155,176**	**5,945**	**1,880,882**
At 1 April 2024	1,640,177	112,377	130,519	15,394	1,898,467

12B. HOUSING PROPERTIES - ASSOCIATION

	Housing Properties Held for Lettings £'000	Housing Properties in the Course of Construction £'000	Shared Ownership Housing Properties £'000	Shared Ownership Housing Properties in the Course of Construction £'000	Total £'000
Cost:					
At 1 April 2024	2,003,942	109,341	141,395	15,394	2,270,072
Additions	280	81,680	-	39,980	121,940
Improvements	34,999	-	-	-	34,999
Interest capitalised	-	2,125	-	950	3,075
Transferred on completion	125,306	(125,306)	25,117	(25,117)	-
Transfer to current assets	-	-	-	(22,315)	(22,315)
Transfer from current assets	-	-	3,671	-	3,671
Disposals	(147,708)	-	(3,269)	-	(150,977)
At 31 March 2025	**2,016,819**	**67,840**	**166,914**	**8,892**	**2,260,465**
Depreciation and impairment					
At 1 April 2024	360,016	-	10,876	-	370,892
Charge for the year	28,906	-	1,224	-	30,130
Eliminated on disposal	(30,301)	-	(362)	-	(30,663)
At 31 March 2025	**358,621**	**-**	**11,738**	**-**	**370,359**
Net Book Value					
At 31 March 2025	**1,658,198**	**67,840**	**155,176**	**8,892**	**1,890,106**
At 31 March 2024	1,643,926	109,341	130,519	15,394	1,899,180

12C. HOUSING PROPERTIES

Expenditure on works to existing properties

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Components capitalised	34,999	30,480	34,999	30,480
Amounts charged to the Income and Expenditure account	10,312	9,407	10,312	9,407
	45,311	**39,887**	**45,311**	**39,887**

Completed housing properties book value, net of depreciation and impairment

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Freehold land and buildings	1,710,424	1,664,972	1,714,173	1,668,721
Leasehold land and buildings	99,201	105,724	99,201	105,724
Total Net Book Value	**1,809,625**	**1,770,696**	**1,813,374**	**1,774,445**

13A. OTHER TANGIBLE FIXED ASSETS - GROUP

	Office Premises	Furniture & Equipment	Total
	£'000	£'000	£'000
Cost:			
At 1 April 2024	16,041	58,720	74,761
Additions	2,296	3,807	6,103
Disposals	-	(10,009)	(10,009)
At 31 March 2025	**18,337**	**52,518**	**70,855**
Depreciation:			
At 1 April 2024	3,667	23,518	27,185
Charge for the year	360	4,311	4,671
Eliminated on disposal	-	(4,377)	(4,377)
At 31 March 2025	**4,027**	**23,452**	**27,479**
Net Book Value			
At 31 March 2025	**14,310**	**29,066**	**43,376**
At 31 March 2024	12,374	35,202	47,576

13B. OTHER TANGIBLE FIXED ASSETS - ASSOCIATION

	Office Premises £'000	Furniture & Equipment £'000	Total £'000
Cost:			
At 1 April 2024	16,041	58,557	74,598
Additions	2,296	3,794	6,090
Disposals	-	(9,902)	(9,902)
At 31 March 2025	**18,337**	**52,449**	**70,786**
Depreciation:			
At 1 April 2024	3,667	23,381	27,048
Charge for the year	360	4,294	4,654
Eliminated on disposal	-	(4,270)	(4,270)
At 31 March 2025	**4,027**	**23,405**	**27,432**
Net Book Value			
At 31 March 2025	**14,310**	**29,044**	**43,354**
At 31 March 2024	12,374	35,176	47,550

14. HOMEBUY LOANS - GROUP AND ASSOCIATION

	2025 £'000	2024 £'000
As at 1 April	90	100
Loans redeemed in the year	-	(10)
As at 31 March	**90**	**90**

The Social Homebuy initiative is a scheme whereby Midland Heart Limited acts as a conduit between the Homes and Communities Agency and tenants wishing to partake in shared ownership.

15. FIXED ASSET INVESTMENTS - ASSOCIATION

	2025 £'000	2024 £'000
Investments - Mutuals	450	781
Investments - Other	20	20
	470	**801**

FIXED ASSET INVESTMENTS - GROUP

	2025 £'000	2024 £'000
Investments - Mutuals	450	781
Investments - Other	120	20
	570	**801**

The investment in mutuals represents equity loans from Midland Heart Limited to individual fully mutual housing associations.

They are repayable on the sale of the property.

16. INVESTMENT IN SUBSIDIARIES - ASSOCIATION

	2025 £'000	2024 £'000
Investment in subsidiaries - association	**6,067**	**6,067**

The investment in subsidiaries represents shares in Group undertakings as described in Note 31.

17. DEBTORS

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Gross rent and service charge arrears	13,849	15,240	13,797	15,195
Less: provision for bad and doubtful debts	(7,563)	(7,895)	(7,524)	(7,860)
Net rent arrears	**6,286**	**7,345**	**6,273**	**7,335**
Amounts due from Group undertakings	-	-	112	6,956
Prepayments and other debtors	13,535	10,118	13,487	8,746
	19,821	**17,463**	**19,872**	**23,037**

18. PROPERTIES FOR SALE AND WORK IN PROGRESS - GROUP AND ASSOCIATION

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Stock and work in progress	107	1,469	107	1,469
Schemes developed for shared ownership disposal	19,915	11,351	19,915	11,351
	20,022	**12,820**	**20,022**	**12,820**

19. CASH AND CASH EQUIVALENTS

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Bank accounts	76,871	39,285	75,831	38,358
Cash in hand	2	79	2	79
Total Cash and Cash Equivalents	**76,873**	**39,364**	**75,833**	**38,437**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Housing loans (Note 21a)	8,652	9,517	1,600	2,800
Discounted bonds	(872)	-	(872)	-
Rents received in advance	4,561	4,545	4,548	4,535
Obligations due under finance leases (Note 21a)	127	127	127	127
Trade creditors	3,630	4,624	3,624	4,624
Amounts due to Group undertakings	-	-	6,785	5,144
Recycled Capital Grant and Disposals Proceeds Fund (Note 22)	3,566	5,409	3,566	5,410
Other taxation and social security costs	1,161	1,135	1,161	1,135
UK Corporation Tax	92	181	-	-
Deferred tax	102	102	-	-
Accruals and deferred income	41,041	36,713	36,272	30,911
Deferred social housing grant (Note 21b)	8,771	8,715	8,771	8,715
Social Housing Pension Scheme Liability (Note 25b)	-	5	-	5
	70,831	**71,073**	**65,582**	**63,406**

Amounts due to group undertakings for the Association include interest-bearing loans due to group undertakings of £7,052 (2024: £6,717). All other amounts due to group undertakings are non-interest bearing.

Liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days was £3,278 (2024: £2,926).

21A. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2025 £'000	Group 2024 £'000	Association 2025 £'000	Association 2024 £'000
Housing loans	576,930	605,857	152,310	173,576
Discounted bonds	17,591	15,934	17,591	15,934
Obligations due under finance leases	3,178	3,306	3,178	3,306
Premium on bond issues	9,937	10,451	3,330	3,497
Discount on bond issues	(8,677)	(9,024)	-	-
Loan and bond arrangement fees	(7,287)	(7,470)	(4,808)	(4,832)
Amounts due to Group undertaking	-	-	418,140	425,191
Homebuy grant: deferred income	90	90	90	90
Deferred social housing grant (Note 21b)	741,136	751,736	741,136	751,736
Derivative financial instruments designated as hedges of variable interest rate risk (Note 24)	8,296	13,736	8,296	13,736
	1,341,194	1,384,616	1,339,263	1,382,234
Recycled Capital Grant and Disposal Proceeds Fund (Note 22)	6,107	6,318	6,107	6,318
	1,347,301	**1,390,934**	**1,345,370**	**1,388,552**

21A. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Housing loans:

Housing loans are secured by specific or floating charges on the Group's housing properties and are repayable at varying maturity dates with interest at both fixed and variable rates.

The analysis for Association relates to bodies that are external to MH Group.

	Group 2025 £'000	Group 2024 £'000	Association 2025 £'000	Association 2024 £'000
By instalments:				
In one year or less	8,652	9,517	1,600	9,885
Between one and two years	8,774	9,452	1,369	9,511
Between two and five years	30,346	29,403	5,835	28,755
In five years or more	166,099	176,681	104,876	186,788
	213,871	225,053	113,680	234,939

	Group 2025 £'000	Group 2024 £'000	Association 2025 £'000	Association 2024 £'000
Lump Sum Repayments:				
In one year or less	(872)	-	(872)	2,750
Between one and two years	(969)	-	(969)	-
Between two and five years	25,271	45,538	18,790	29,285
In five years or more	365,000	360,717	40,000	36,113
	388,430	406,255	56,949	68,148

21A. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

Finance lease liabilities

Total of future minimum lease payments:

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Total of future minimum lease payments:				
In one year or less	127	127	127	127
Between one and two years	127	127	127	127
Between two and five years	381	381	381	381
In five years or more	2,670	2,799	2,670	2,799
	3,305	3,434	3,305	3,434

Fixed rate financial liabilities bear a weighted average interest rate of 3.61% and are fixed for a weighted average period of 21 years. Including Swaps, the average weighted interest rate is 3.93%.

Interest rates on fixed rate borrowings range between 1.56% and 11.83%.

Floating rate financial liabilities bear interest at rates based on SONIA or the Base Rate and are fixed for periods of up to 12 months.

The interest rate profile of the groups' debt at 31 March 2025 was:

	Variable rate	Fixed rate	Total
	£'000	£'000	£'000
Instalment loans	176,569	40,607	217,176
Non-instalment loans	6,480	381,950	388,430
	183,049	**422,557**	**605,606**

As at 31 March 2025, 63% (£383,087) of the above debt came from the capital markets and 37% (£222,519) from banks and building societies.

21B. CREDITORS:

Discounted Bonds:

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Amount Advanced:				
5% Debenture Stock 2027	9,000	9,000	9,000	9,000
In issue at 31 March 2025	**9,000**	**9,000**	**9,000**	**9,000**
Loan discount amortised	7,719	6,934	7,719	6,934
Net Value at 31 March 2025	**16,719**	**15,934**	**16,719**	**15,934**

The 5% Debenture Stock 2027 has an interest yield of 10.786% and represents funds raised from The Housing Finance Corporation Limited ('THFC') and is for designated housing schemes that have been approved by THFC.

The loans are secured by a fixed charge over the properties purchased with the loans and a fixed charge on any designated account.

Discount unwound/unamortised on discounted bonds was £2,365 (2024: £3,150).

21C. CUMULATIVE SOCIAL HOUSING GRANT

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Opening balance of SHG received/receivable	760,451	734,207	760,451	734,207
SHG received during the year	43,373	35,000	43,373	35,000
SHG recycled	(2,869)	(1,727)	(2,869)	(1,727)
Transferred as part of sale	(53,543)	-	(53,543)	-
Transferred to current assets	-	1,588	-	1,588
Change of tenure	-	(10)	-	(10)
Amortisation write back on sale of fixed assets	10,582	250	10,582	250
Cumulative total of Social Housing Grant received or receivable	757,994	769,308	757,994	769,308
Less grant amortised in the year	(8,087)	(8,857)	(8,087)	(8,857)
Amount held as deferred income at the date of the Statement of Financial Position	**749,907**	**760,451**	**749,907**	**760,451**
Amounts to be released within one year (Note 20)	8,771	8,715	8,771	8,715
Amounts to be released in more than one year (Note 21)	741,136	751,736	741,136	751,736
	749,907	**760,451**	**749,907**	**760,451**
Social Housing Grant under UKGAAP				
Opening SHG	924,878	891,605	924,878	891,605
SHG received net of recycling	40,504	33,273	40,504	33,273
Less returned to Homes England	(53,543)	-	(53,543)	-
Closing SHG	**911,839**	**924,878**	**911,839**	**924,878**

22. RECYCLED CAPITAL GRANT AND DISPOSAL PROCEEDS FUNDS (INCLUDING AMOUNTS DUE IN LESS THAN ONE YEAR).

Group and Association

	2025	2024
	£'000	£'000
Balance at 1 April 2024	**11,727**	**14,010**
Grants recycled	3,042	1,727
Interest accrued	515	669
Allocated to new build developments	(5,062)	(4,689)
Grant abated	(7)	-
Change of tenure	-	10
Admin allowance	(542)	-
Balance at 31 March 2025	**9,673**	**11,727**
Amounts to be released within one year (Note 20)	**3,566**	**5,409**
Amounts to be released in more than one year (Note 21)	**6,107**	**6,318**
	9,673	**11,727**

23. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:

	Group		Association	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Liabilities measured at amortised cost				
Loans	596,274	625,264	594,344	622,883
Finance Leases	3,305	3,433	3,305	3,433

Financial liabilities measured at amortised cost comprise convertible loan stock, irredeemable preference shares, bank loans and overdrafts, trade creditors and other creditors.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate Swaps. Financial liabilities measured at fair value through profit or loss comprise nil.

24A. FINANCIAL INSTRUMENTS: HEDGE ACCOUNTING

Paragraph 11.39 of FRS 102 states that "entities that have only basic financial instruments (and therefore do not apply section 12), and have not chosen to designate financial instruments as at fair value through profit and loss will not need to provide such disclosures." Embedded Swaps are accounted for as part of the underlying host contract (i.e. the loan) and are therefore basic financial instruments. As such, no disclosures are required.

Midland Heart has £120m standalone interest rate Swap contracts to fix the rates of £120m of its borrowing portfolio until various dates up to 2038.

The negative fair value of these Swap contracts as at 31 March 2025 was £7.9m (2024 £13.7m). The measurement basis for these Swaps is at fair value through profit and loss, determined by calculating the net present value of the future cashflows of the Swaps discounted using an appropriate mid-market Swap curve as at 31 March 2025

The total change in fair value during the year ended 31 March 2025 of £5.8m (2024: £4.6m) was recognised in the statement of comprehensive income.

In accordance with Chapter 12 of FRS 102, hedge accounting has been applied to the following Swap contracts:

The group uses hedge accounting for the following cash flow hedges:

	Group and Association	
	2025	2024
	£'000	£'000
Barclays Swap £20m 4.815% 2038	1,046	2,257
Barclays Swap £30m 5.01% 2037	2,147	3,841
Barclays Swap £10m 4.24% 2031	192	618
Lloyds Swap £50m 5.432% 2034	4,911	7,020
Fair values of financial instruments designated as hedging instruments	**8,296**	**13,736**

24A. FINANCIAL INSTRUMENTS: HEDGE ACCOUNTING (CONTINUED)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

	2025					
	Carrying amount	Expected cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate Swaps:						
Hedged items cash flows (liabilities)	120,000	9,630	(185)	813	2,593	6,409

	2024					
	Carrying amount	Expected cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate Swaps:						
Hedged items cash flows (liabilities)	120,000	17,370	203	(59)	2,778	14,448

The carrying amount of the hedged item cash flows is equal to the notional principal amount hedged, which is held at amortised cost under FRS 102.

24B. FINANCIAL INSTRUMENTS: HEDGES

	Barclays Swap £20m 4.815% 2038	Barclays Swap £30m 5.01% 2037	Barclays Swap £10m 4.24% 2031	Lloyds Swap £50m 5.432% 2034	
Description of the hedge	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Nationwide £100m Fl Loan 2036 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Nationwide £100m Fl Loan 2036 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.
Description of the financial instruments designated as hedging instruments	The interest rate swap, Barclays Swap £20m 4.815% 2038. The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Barclays Swap £30m 5.01% 2037. The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Barclays ex-European Cancellable Swap with Double Up £10m 4.24% 2031. The counterparty to the swap is Nationwide and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Lloyds Swap £50m 5.432% 2034. The counterparty to the swap is Nationwide and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Lloyds Swap £50m 5.432% 2034 (ex-Bermudan). The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.
Nature of the risks being hedged including a description of the hedged item	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Nationwide £100m Fl Loan 2036 loan due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Nationwide £100m Fl Loan 2036 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate
Fair values of financial instruments designated as hedging instruments £'000	1,046	2,147	192	4,911	

25A. SOCIAL HOUSING PENSION SCHEME (SHPS)

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2028. A new triennial valuation as at September 2023 has been completed during the year which will be applicable from 1 April 2025 onwards.

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

For financial years ending on or before 28 February 2019, it was not possible for the Group to obtain sufficient information to account for the liability on a full FRS 102 valuation basis, so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the accounts as creditors falling within and more than one year.

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September each year. The liability figures from this valuation were rolled forward for accounting year ends from 31 March to 28 February inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2024 to inform the liabilities for accounting year ends from 31 March 2025 to 28 February 2026 inclusive.

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)

	2025 £'000	2024 £'000
Fair value of plan assets	93,899	96,576
Present value of defined benefit obligation	(109,743)	(118,958)
Net defined benefit asset (liability) to be recognised	**(15,844)**	**(22,382)**

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	Year ended 31 Mar 2025 £'000
Defined benefit obligation at start of year	**118,958**
Expenses	111
Interest expense	5,698
Actuarial losses (gains) due to scheme experience	4,016
Actuarial losses (gains) due to changes in financial assumptions	(13,672)
Benefits paid and expenses	(5,368)
Defined benefit obligation at end of year	**109,743**

Reconciliation of Opening and Closing Balances of the Fair Value Plan Assets

	year ended 31 Mar 2025 £'000
Fair value of plan assets at start of year	96,576
Interest income	4,736
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(7,696)
Contributions by the employer	5,651
Benefits paid and expenses	(5,368)
Fair value in the plan assets at end of year	**93,899**

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2024 was £2,960,000.

Defined Benefit Costs Recognised in Statement of Comprehensive (SOCI)

	year ended 31 Mar 2025 £'000
Expenses	111
Net interest expense	962
Defined benefit costs recognised in Statement of Comprehensive Income (SOCI)	**1,073**

Defined Benefit Costs Recognised in Other Comprehensive Income

	year ended 31 Mar 2025 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(7,696)
Experience gains and losses arising on the plan liabilities - gain (loss)	(4,016)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	13,672
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	1,960
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	**1,960**

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The Company is currently considering the implications of the case for the Scheme. In addition, the Company has been informed by the scheme's trustee that it has asked the High Court to clarify various points on how the issues arising from the Virgin Media case should be applied to the scheme in the case of Verity Trustees Limited v Wood and others, which was heard by the High Court in February and March 2025 with the outcome expected later this year. Furthermore, on 5 June 2025, the Department of Work and Pensions announced that the Government will "... introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards". The defined benefit obligation has been calculated on the basis of the pension benefits currently being administered, and at this stage the directors do not consider it necessary to make any adjustments as a result of the Virgin Media case."

In 2021 by the Trustee that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding whether some of these changes were made in accordance with the Trust's governing documentation. The Trustee is seeking clarification from the Court on these items. The case was heard in early 2025 but a judgement is not expected until late 2025 at the earliest. This is an estimate only and is subject to change depending on the outcome of the court case and more detailed calculations on scheme data. Until the Court's direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this. The outcomes of the case are also expected to clarify some points of the Virgin Media ruling and therefore the Trustees are waiting for the outcome before considering the Scheme's position.

Assets	31 March 2025 £'000	31 March 2024 £'000
Global equity	10,519	9,624
Absolute return	-	3,771
Distressed opportunities	-	3,404
Credit relative value	-	3,164
Alternative risk premia	-	3,065
Liquid alternatives	17,412	-
Emerging markets debt	-	1,249
Risk sharing	-	5,653
Insurance-linked securities	289	499
Property	4,704	3,878
Infrastructure	16	9,755
Private equity	83	79
Real assets	11,241	-
Private debt	-	3,800
Opportunistic illiquid credit	-	3,774
Private credit	11,492	-
Credit	3,591	-
Investment grade credit	2,891	-
High yield	-	15
Cash	1,275	1,906
Long lease property	27	624
Secured income	1,567	2,884
Liability driven investment	28,439	39,304
Currency hedging	150	(38)
Net current assets	203	166
Net defined benefit asset (liability) to be recognised	93,899	96,576

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

Key Assumptions	31 March 2025 % per annum	31 March 2024 % per annum
Discount rate	5.82	4.90
Inflation (RPI)	3.10	3.15
Inflation (CPI)	2.79	2.78
Salary growth	3.79	3.78
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2025	20.5
Female retiring in 2025	23.0
Male retiring in 2045	21.7
Female retiring in 2045	24.5

26. SHARE CAPITAL

Midland Heart Limited is a Registered Society limited by share capital.

	2025 £	2024 £
Allotted, called up and fully paid shares of £1 each:		
At end of year	12	12

	Number	Number
At 1 April 2024	12	14
Issued	1	4
Cancelled	(1)	(6)
At 31 March 2025	**12**	**12**

No rights to dividends attached to the shares. There is also no provision for redemption or provision for a distribution on winding up. Each share has full voting rights.

27. OPERATING LEASES - GROUP AND ASSOCIATION

Total of future minimum lease payments under non-cancellable operating leases

	2025 £'000	2024 £'000
Plant - Leases which expire:		
Within one year	759	751
Between one year and two years	198	567
Between two and five years	28	208
After more than 5 years	-	-
Office premises - Leases which expire:		
Within one year	-	7
	985	**1,533**

During the year, £1,610k was recognised as an expense in the profit and loss account in respect of operating leases (2024: £1,345k).

28. CAPITAL COMMITMENTS

The carrying amounts of the financial assets and liabilities include:

	2025 £'000	2024 £'000
Capital expenditure contracted not provided for	149,291	306,697
Capital expenditure authorised by the Board of Directors but not contracted for	44,978	11,698

The expenditure represents the total bids submitted to the Homes and Communities Agency and other bodies.

Under Standing Orders approved by the Board, expenditure to certain levels may be authorised by appropriate officers, employees or sub-committees and such authorised expenditure is included above.

The above commitments will be funded primarily through cash and funds available for draw down on existing loan arrangements and £20.5m (2024 £60.6m) funded by the Social Housing Grant.

The above figures include the full cost of shared ownership properties contracted for.

29. CONTINGENT LIABILITIES

Midland Heart has entered into transactions with other social housing providers, which includes the original government grant of £18,965k on the incoming properties. The grant has an obligation to be recycled in accordance with the original grant funding terms and conditions, which is contingent in the event of the housing properties being disposed (2024: £18,972k).

30. HOUSING STOCK

	As at 1 April 2024	Units Developed	Transferred (to)/from other Registered Providers	Units Sold	Other Movements	As at 31 March 2025
Social Housing						
Social rent	21,141	57	-	(40)	(236)	20,922
Affordable rent	4,115	543	-	-	229	4,887
Supported housing and housing for older people	3,844	-	(1,401)	(41)	(170)	2,232
Residential care homes	51	-	-	-	(25)	26
Shared ownership accommodation	2,468	213	(131)	(45)	(21)	2,484
Lease scheme for the elderly	163	-	(5)	-	-	158
Total social housing units owned	**31,782**	**813**	**(1,537)**	**(126)**	**(223)**	**30,709**
Accommodation managed for others	1,602	-	-	-	(103)	1,499
Total social housing units owned and managed	**33,384**	**813**	**(1,537)**	**(126)**	**(326)**	**32,208**
Long leasehold	1,110	-	(110)	-	50	1,050
Garages	121	-	-	-	-	121
Total Social Housing	**34,615**	**813**	**(1,647)**	**(126)**	**(276)**	**33,379**
Non-Social Housing						
Market rent	176	-	-	(2)	(2)	172
Commercial lettings	99	-	-	-	15	114
Student accommodation	61	-	-	-	-	61
Leased to other parties	372	-	-	-	178	550
Total non-social housing units owned	**708**	**-**	**-**	**(2)**	**191**	**897**
Leasehold	136	-	-	-	2	138
Total non-social housing	**844**	**-**	**-**	**(2)**	**193**	**1,035**
GRAND TOTAL	**35,459**	**813**	**(1,647)**	**(128)**	**(83)**	**34,414**

Other movements includes properties that have changed tenure or have been demolished.

31. DISCLOSURE OF GROUP ACTIVITY

Midland Heart Limited is the Parent Company of the Group entities. It is a Registered Society registered with the Financial Conduct Authority. It is also a Registered Provider registered with the Regulator of Social Housing. It is limited by shares and is required to produce Group accounts. Its principal activity is the provision of social housing.

Midland Heart Limited provides accounting, IT and management services to other Group entities.

The members of the Midland Heart Group are as follows:

Entity	Registration	Legal basis	HCA registered	Principal Activity
Cygnet Property Management plc	Companies House	Companies Act 2006	No	Provision of housing at market rents.
Midland Heart Development Limited	Companies House	Companies Act 2006	No	Construction of properties on behalf of Midland Heart Limited.
Prime Focus Finance Limited	Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014	No	Treasury and financing services on behalf of Midland Heart Limited.
Midland Heart Capital plc	Companies House	Companies Act 2006	No	Treasury and financing services on behalf of Midland Heart Limited.

Intra Group Transactions

Entity	Registration
Midland Heart – Cygnet Property Management plc	Midland Heart charges Cygnet for the management of its Market Rent properties.
Midland Heart – Midland Heart Development (MHDL)	A 3% charge on cost on all invoices recharged to Midland Heart is levied by MHDL. A 2.5% charge on cost on all MHDL invoices received is levied by Midland Heart to cover staff time and use of facilities. Loans from MHL are made at base rate plus 2%.
Midland Heart - Midland Heart Capital plc (MHC)	MHC recharges its interest and other loan administration costs to Midland Heart.
Midland Heart - Prime Focus Finance (PFF)	PFF recharges its interest and other loan administration costs to Midland Heart.

There has been no other cost apportionment within the Group.

32. RELATED PARTIES

Midland Heart Limited participates in the Social Housing Pension Scheme, providing benefits to employees who choose to take part (see Note 25).

33. NOTES TO THE CASH FLOW STATEMENT

A - Reconciliation of net cash flow to movement in net debt

	2025 £'000	2024 £'000
Increase/(decrease) in cash	37,509	(61,689)
Cash flow from increase/(decrease) in debt finance	29,904	(913)
Discounted bonds	(1,657)	(706)
	65,756	(63,308)
Net debt at beginning of year	(589,334)	(526,026)
Net debt at end of year	**(523,578)**	**(589,334)**

B - Analysis of changes in net debt

	At 1 April 2024 £'000	Cash flows £'000	At 31 March 2025 £'000
Cash at bank and in hand	39,364	37,509	76,873
	39,364	**37,509**	**76,873**
Discounted bonds	(15,934)	(1,657)	(17,591)
Other loans due less than one year	(9,517)	865	(8,652)
Other loans due in more than one year	(605,857)	28,927	(576,930)
Finance lease	(3,433)	128	(3,305)
Premium on bond issue	(10,451)	514	(9,937)
Discount on bond issues	9,024	(347)	8,677
Issue expenses	7,470	(183)	7,287
Net debt	**(589,334)**	**65,756**	**(523,578)**

NOTES

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