

Midlands Rural Housing and Village  
Development Association Limited

**REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 March 2020

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2020

Contents	Page
<u>Association Information</u>	<b>2</b>
<u>Annual Report of the Board of Management</u>	<b>3 - 4</b>
<u>Statement of Board's responsibilities in respect of the Board's report and the financial statements</u>	<b>5</b>
<u>Statement of Internal Controls Assurance</u>	<b>6</b>
<u>Independent Auditor's Report</u>	<b>7 - 9</b>
<u>Profit and Loss Account and Other Comprehensive Income</u>	<b>10</b>
<u>Statement of Financial Position</u>	<b>11</b>
<u>Statement of Changes in Equity</u>	<b>12</b>
<u>Notes to the Financial Statements</u>	<b>13-28</b>

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**ASSOCIATION INFORMATION**

FOR THE YEAR ENDED 31 MARCH 2020

**BOARD MEMBERS**

David Frederickson - Chair  
Christopher Lambert (Resigned April 2019)  
Reg Ward (Appointed August 2019)  
Bradley Swingler  
Richard Cox (Resigned August 2019)  
Derek Harvey (Appointed October 2019)  
Joanne Tilley

**PRINCIPAL BANKER**

Barclays Bank Plc  
Leicester  
Leicestershire  
LE87 2BB

**AUDITOR**

**KPMG LLP**  
One Snow Hill  
Snowhill Queensway  
Birmingham  
84 6GH

**SECRETARY AND REGISTERED HEAD OFFICE**

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

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**ANNUAL REPORT OF THE BOARD OF MANAGEMENT**  
FOR THE YEAR ENDED 31 MARCH 2020

Review of the Year

Your Board of Management have pleasure in presenting their report covering the activities of the Association for the 12 months ended 31 March 2020.

While the operating environment has been increasingly challenging, our objective of providing housing for people in rural communities who are unable to purchase or rent a home at existing market levels continues to be delivered.

Partnership working remains crucial to delivering our business aims, and we continue to support direct provision via our partner Rural Housing Associations (Peak District Rural Housing Association limited, Warwickshire Rural Housing Association limited, Northamptonshire Rural Housing Association Limited and Leicestershire Rural Housing Association Limited). All continue to demonstrate high levels of management performance, and service delivery throughout the period. Their business plan targets and their growth aspirations have also been achieved, and financial viability has been maintained.

Our specialist knowledge and expertise continues to be recognised by other organisations and agencies. Alongside this, we have continued to lobby for ongoing support for affordable rural housing at the National and Local level. We continue to contribute to the work of the National Rural Housing Alliance, and the National Housing Federation, and respond to Government consultations in respect of policy developments. Moving forward, this engagement will continue, and remain increasingly vital, if we are to influence the operating environment for the benefit of the business.

We have continued to facilitate and promote our expertise in respect of rural housing enabling activity and have continued to deliver on our contract as the rural enabling partner for Leicestershire. This has been supplemented by work we have undertaken for other partners, particularly Housing Associations, Local Authorities and Neighbourhood Plan groups. We have also taken the opportunity to expand our enabling work outside our traditional boundaries, particularly in the West Midlands. All of these add to the positive standing of the association and enhance our reputation as a primary point of engagement on rural housing matters.

This activity has, again, generated additional income to strengthen our financial position, and is further recognition of the specialist knowledge and expertise of the Association. Our activities have continued to contribute to the diverse nature of the EMH Group, and we have been actively involved in the development and management of projects for emh homes.

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED  
 ANNUAL REPORT OF THE BOARD OF MANAGEMENT  
 FOR THE YEAR ENDED 31 MARCH 2020

**Review of the Year** (continued)

There are major uncertainties following the change of Prime Minister, the impact of Covid 19 and the withdrawal from the EU. These 3 key risks continue to be high on everyone's agenda and are being closely monitored. emh group continues to be a leading housing and care business across the East Midlands region. The Coronavirus Pandemic will have a detrimental impact on our income collection, lettings, development completions and sales. Our stress testing shows that whilst financial performance will be weaker in the short term, viability will not be threatened. This situation will be monitored as the situation develops. We are financially strong and although our surpluses will be weaker in the short term, we remain well ahead of our financial covenants.

The board, after reviewing the company budgets for 2020/21 and the group's medium-term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

**Board Membership, remuneration and attendance**

Name	Remuneration	Board Meeting Attendance
David Frederickson Chair	£3,571	3/3
Christopher Lambert Vice Chair	£Nil	1/1
Bradley Swingle	£Nil	2/3
Richard Cox	£Nil	1/3
Joanne Tilley	Parent Nominee Paid by emh group	3/3
Derek Harvey	£Nil	1/1
Reg Ward	£Nil	2/2

On behalf of the Board of Management

**David Frederickson**

Chair

7 September 2020

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED  
STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020

The directors are responsible for preparing the Annual Report of the Board of Management and the Association financial statements in accordance with applicable law and regulations.

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

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

In preparing the Association financial statements, the directors are required to:

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

The directors are 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The directors are 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.

On behalf of the Board of Management

**David Frederickson**  
Chair

7 September 2020

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**STATEMENT OF INTERNAL CONTROLS ASSURANCE**

FOR THE YEAR ENDED 31 MARCH 2020

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

The Group Board has overall responsibility for ensuring that a sound and comprehensive system of internal controls exists across the group and for reviewing its effectiveness. Control systems have been designed to proactively manage, rather than eliminate the risks of failure to achieve business objectives and provide reasonable, but not absolute assurance against misstatement or loss.

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

On behalf of the Board of Management

**Joanne Tilley**  
Company Secretary

7 September 2020

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED  
INDEPENDENT AUDITOR'S REPORT TO MIDLANDS RURAL HOUSING AND VILLAGE  
DEVELOPMENT ASSOCIATION LIMITED**

FOR THE YEAR ENDED 31 MARCH 2020

Opinion

We have audited the financial statements of Midlands Rural Housing and Village Development Association limited ("the association") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of the Association's affairs as at 31 March 2020 and of the income and expenditure of the Association for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Association will continue in operation.



**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO MIDLANDS RURAL HOUSING AND VILLAGE**  
**DEVELOPMENT ASSOCIATION LIMITED**  
FOR THE YEAR ENDED 31 MARCH 2019

**Other information**

The directors are responsible for the other information, which comprises the Annual Report of the Board. 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.

**Directors' responsibilities**

As more fully explained in their statement set out on page 5 the Association's directors are responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so,

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED  
INDEPENDENT AUDITOR'S REPORT TO MIDLANDS RURAL HOUSING AND VILLAGE  
DEVELOPMENT ASSOCIATION LIMITED  
FOR THE YEAR ENDED 31 MARCH 2019

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, in respect of the reporting on corporate governance, on terms that have been agreed. 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, in respect of the reporting on corporate governance, those matters we have agreed to state to it in our 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.

Sarah Brown (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill, Snow Hill Queensway  
Birmingham B4 6GH

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Turnover		443,997	399,308
(Distributions)/recharges to Rural Housing Associations		(507,986)	340,336
Operating costs		(360,385)	(410,437)
<b>Operating (deficit)/surplus</b>	3	<b>(424,374)</b>	<b>329,207</b>
Interest payable and similar charges	8	12	(284)
Finance income and costs	9	(27,000)	(26,000)
<b>(Deficit)/surplus on ordinary activities before taxation</b>	4	<b>(451,362)</b>	<b>302,923</b>
Tax on Surplus on ordinary activities	10		(58,171)
<b>(Deficit)/surplus for the year</b>		<b>(451,362)</b>	<b>244,752</b>
<b>Other comprehensive income</b>			
Remeasurement of the Social Housing Pension Scheme	16	603,000	(436,378)
Remeasurement of the Reimbursement Asset	16	37,690	
<b>Total comprehensive income for the year</b>		<b>189,328</b>	<b>(191,626)</b>

Turnover is derived from continuing activities.

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED****STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Tangible fixed assets	11	803	1,293
Current assets			
Reimbursement assets (including £512,601 due after 1 year)	16	606,509	663,146
Trade and other debtors	12	185,623	608,262
Cash and cash equivalents		614,117	80,583
<b>Total current assets</b>		<b>1,406,249</b>	<b>1,351,991</b>
Creditors: amounts falling due within one year	13	(792,308)	(242,386)
<b>Net current assets</b>		<b>613,941</b>	<b>1,109,605</b>
<b>Total assets less current liabilities</b>		<b>614,744</b>	<b>1,110,898</b>
Creditors: amounts falling due after one year	14	(815)	(1,040)
Provisions for liabilities			
Other provisions	15	(16,860)	(12,117)
Pension liability	16	(490,000)	(1,180,000)
<b>Net assets/(liabilities)</b>		<b>107,069</b>	<b>(82,259)</b>
Capital and reserves			
Called up share capital	17	5	5
Revenue reserves		107,064	(82,264)
<b>Total funds</b>		<b>107,069</b>	<b>(82,259)</b>

These financial statements were approved by the board of directors on 7 September 2020 and were signed on its behalf by:

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £	Revenue reserve £	Total equity £
Balance at 1 April 2019	5	(82,264)	(82,259)
Total comprehensive income for the period			
Deficit for the year		(451,362)	(451,362)
Remeasurement of Pension Schemes		603,000	603,000
Remeasurement of the Reimbursement Asset		37,690	37,690
<b>Balance at 31 March 2020</b>	<b>5</b>	<b>107,064</b>	<b>107,069</b>
Balance at 1 April 2018	5	109,362	109,367
Total comprehensive income for the period			
Surplus for the year		244,752	244,752
Remeasurement of Pension Schemes		(436,378)	(436,378)
<b>Balance at 31 March 2019</b>	<b>5</b>	<b>(82,264)</b>	<b>(82,259)</b>

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2020

**1 LEGAL STATUS**

---

The Association is incorporated under the Co-operative and Community Benefit Society Act 2014. The company registration number is 24278R and is a Public Benefit Entity. Its principal place of business is Whitwick Business Centre, Stenson Road, Whitwick Business Park, Coalville.

**2 PRINCIPAL ACCOUNTING POLICIES**

---

**Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1.00.

The Association's ultimate parent undertaking, East Midlands Housing Group limited includes the association in its consolidated financial statements. The consolidated financial statements of East Midlands Housing Group are available to the public and may be obtained at [www.emhgroup.org](http://www.emhgroup.org). In these financial statements, the association is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Cash Flow Statement and related notes;  
Key Management Personnel compensation.

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

**Measurement Convention**

The financial statements are prepared on historical cost basis.

**Going Concern**

The board, after reviewing the company budgets for 2020/21 and the group's medium term financial position as detailed in the 30 year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the group and company have adequate resources to continue in business for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the annual financial statements.

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2020

**2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

---

Classification of financial instruments by the Association

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

- a) they include no contractual obligations upon the Association to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Association; and
- b) where the instrument will or may be settled in the Association's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Association's own equity instruments or is a derivative that will be settled by the Association's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Basic financial instruments

*Trade and other debtors*

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

Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful economic lives of the assets at the following annual rates:

Office furniture	10%
Computer equipment	20%

Employee Benefits

*Defined benefit plans*

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

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

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

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2020

**2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

---

Employee Benefits (continued)

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

The Company participates in 2 defined benefit plans as set out below: -

- The Pensions Trust Social Housing Pension Scheme
- The Pensions Trust Growth Plan

For financial years ending on or before 28 February 2019, it has not been possible for the association to obtain sufficient information to enable it to account for the Pensions Trust Social Housing Scheme as a defined benefit scheme, therefore the association has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the association to account for the Scheme as a defined benefit scheme.

Reimbursement assets

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

Provisions

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

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the association's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.



**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2020

**2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

---

**Turnover**

Turnover represents fee income receivable from the sale of services and grants receivable from third parties.

**Recharges or Distributions to Rural Housing Associations**

Recharges or Distributions includes recharges or distributions to the 4 Rural Housing Associations based on a proportion of profits or losses made by MRH during the year. Due to the overall surplus position in 2019/20 (largely resulting from actuarial pension gains) this has resulted in a distribution.

**Expenses**

**Operating Costs**

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

**Operating leases**

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

**Key Judgements, Estimates and Assumptions**

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

**The recoverability of trade debtors**

The estimate for trade debtors relates to the recoverability of the outstanding balances at the reporting date. Trade Debtors are reviewed on an individual balance basis and a provision created for bad and doubtful debts based on the on the age and likely recoverability of the debt.

**Defined benefit pensions liabilities**

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plan, such estimates are subject to significant uncertainty. Further details are given in Note 16.

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
<b>3 ANALYSIS OF OPERATING SURPLUS</b>		
<p>The operating surplus is constituted of both operating activities and recharges or distributions to the 4 Rural Housing Associations. These recharges or distributions are largely influenced by the actuarial changes in pensions. The analysis below shows the effect of these recharges or distributions and the impacts on the Operating Surplus.</p>		
<u>Operating Activities</u>		
Turnover	443,997	399,308
<u>Operating costs</u>	<u>(360,385)</u>	<u>(410,437)</u>
Operating surplus/(deficit) from operating activities	83,612	(11,129)
(Distributions)/recharges to Rural Housing Associations	(507,986)	340,336
<b>Operating (deficit)/surplus</b>	<b>(424,374)</b>	<b>329,207</b>

**4 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Surplus on ordinary activities before taxation is stated after charging:

Expenses reimbursed to the Board of Management	206	59
Depreciation of tangible fixed assets	490	4,711
Auditor's remuneration - for the audit of the annual accounts	6,500	4,840
Operating lease payments		
Land & Buildings	25,929	25,651

**5 HOUSING STOCK**

The Association manages the following properties on behalf of other Housing Associations:

	2020	2019
	Number	Number
Social housing accommodation		
General needs rented	1,361	1,350
Low cost home ownership	242	243
<u>Total social housing managed</u>	<u>1,603</u>	<u>1,593</u>

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2020

**6 STAFF NUMBER AND COSTS**

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

	2020 Number	2019 Number
Office staff	2	1

	2020 £	2019 £
Staff costs for the above persons:		
Wages and salaries	51,264	52,799
Social security costs	6,778	7,708
Pension costs	(3,178)	16,237
	<u>54,864</u>	<u>76,744</u>

The total number of staff employed under a joint contract of employment with the four Rural Housing Associations referred to in the Annual Report of the Board of Management is 21 (2019: 20). The employee information disclosed above relates to Midlands Rural Housing only.

Board member pay is disclosed within the consolidated accounts of the parent company, East Midlands Housing Group Limited. The consolidated financial statements of East Midlands Housing Group are available at [www.emhgroup.org](http://www.emhgroup.org).

**7 BOARD MEMBERS AND EXECUTIVE DIRECTORS**

Remuneration of £3,571 was paid to the Board of the Association during the year (2019: £3,359). Expenses of £206 (2019: £59) were paid.

	2020 £	2019 £
<b>8 INTEREST PAYABLE AND SIMILAR CHARGES</b>		
On pension scheme liabilities	(12)	284
	<u>(12)</u>	<u>284</u>

**9 FINANCING INCOME AND COSTS**

Expected return on pension scheme assets	79,000	79,000
Interest on pension scheme liabilities	(106,000)	(105,000)
Net financing costs	<u>(27,000)</u>	<u>(26,000)</u>

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
<b>IOTAXATION</b>		
<b>Total tax expense recognised in the profit and loss account, other comprehensive income and equity.</b>		
<i>Current tax</i>		
<b>Current tax on income for the period</b>		58,171
<b>Total current tax</b>		58,171
<b>Reconciliation of effective rate</b>		
<b>Profit for the year</b>	(413,672)	302,923
<b>Total tax expense</b>		58,171
<b>Tax using the UK corporation tax rate of 19% (2019 19%)</b>	(78,598)	57,555
<b>Non-deductible expenses</b>	93	899
<b>Pension contribution adjustment</b>	(16,530)	
<b>Capital allowances</b>	(232)	(283)
<b>Trading Losses Offset</b>	95,267	
<b>Total tax expense included in the profit</b>		58,171

	Fixtures, Fittings and Equipment £	Total £
<b>11 TANGIBLE FIXED ASSETS</b>		
<b>Cost</b>		
1 April 2019	51,086	51,086
31 March 2020	51,086	51,086
<b>Accumulated depreciation</b>		
1 April 2019	49,793	49,793
<b>Provision for the year</b>	490	490
31 March 2020	50,283	50,283
<b>Net book value</b>		
31 March 2020	803	803
31 March 2019	1,293	1,293

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
<b>12 DEBTORS</b>		
Trade debtors	178,561	220,732
less provision for trade debtors	(1,200)	(17,930)
Prepayments and accrued income	8,181	402,898
Amounts owed by group undertakings	81	2,562
	<u>185,623</u>	<u>608,262</u>
Due within one year	185,623	608,262

**13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

Trade creditors	2,745	2,559
Accruals and deferred income	550,269	84,828
Taxation and social security	19,671	19,517
Corporation tax		58,171
Pension deficit contributions (see note 16)	213	207
Amounts due to group undertakings	<u>219,410</u>	<u>77,104</u>
	<u>792,308</u>	<u>242,386</u>

**14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

Pension deficit contributions (see note 16)	815	1,040
	<u>815</u>	<u>1,040</u>

**15 PROVISIONS**

	Leave Pay	Total
	£	£
Balance at 1 April 2019	12,117	12,117
Provisions made during the year	4,743	4,743
Balance at 31 March 2020	<u>16,860</u>	<u>16,860</u>

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

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2020

**16 EMPLOYEE BENEFITS**

The association operates two defined benefit pension schemes.

Summary of the movement on pension scheme liabilities for the year ended 31 March 2020

	The Pensions Trust - SHPS £	The Pensions Trust - Growth Plan £
Net liability at 1 April 2019	1,180,000	1,247
loss in the period charged to the profit & loss account	31,000	(12)
Loss in the period charged to other comprehensive income	(603,000)	
<u>Deficit contribution paid</u>	<u>(118,000)</u>	<u>(207)</u>
<u>Net liability at 31 March 2020</u>	<u>490,000</u>	<u>1,028</u>

The Pensions Trust - Social Housing Pension Scheme

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the association 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 31 March 2018, it has not been possible for the association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the association has accounted for the Scheme as a defined contribution scheme.

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

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2020

**16 EMPLOYEE BENEFITS (CONTINUED)**

The Pensions Trust, Social Housing Pension Scheme (Continued)

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year ends from 31 March 2019. 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 2019 to inform the liabilities for accounting year ends from 31 March 2020.

	2020	2019
	£'000	£'000
Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)		
Fair value of plan assets	3,509	3,292
Present value of defined benefit obligation	(3,999)	(4,472)
<b>Defined benefit asset (liability) to be recognised</b>	<b>(490)</b>	<b>(1,180)</b>
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	4,472	4,076
Expenses	4	3
Interest expense	106	105
Actuarial losses (gains) due to scheme experience	110	30
Actuarial losses (gains) due to changes in demographic assumptions	(37)	11
Actuarial losses (gains) due to changes in financial assumptions	(605)	319
Benefits paid and expenses	(51)	(72)
<b>Defined benefit obligation at end of period</b>	<b>3,999</b>	<b>4,472</b>
Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	3,292	3,042
Interest income	79	79
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	71	165
Contributions by the employer	118	78
Benefits paid and expenses	(51)	(72)
<b>Fair value of plan assets at end of period</b>	<b>3,509</b>	<b>3,292</b>
The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2019 to 31 March 2020 was £150,000.		
Defined benefit costs recognised in statement of comprehensive income (SOI)		
Expenses	4	3
Net interest expense	27	26
<b>Defined benefit costs recognised in statement of comprehensive income (SoCI)</b>	<b>31</b>	<b>29</b>

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2020

**16 EMPLOYEE BENEFITS (CONTINUED)**

<u>The Pensions Trust-Social Housing Pension Scheme (Continued)</u>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit costs recognised in other comprehensive income		
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	71	165
Experience gains and losses arising on the plan liabilities - (loss)/gain	(110)	(30)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	37	(11)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	605	(319)
<b>Total amount recognised in other comprehensive income - (loss)/gain</b>	<b>603</b>	<b>(195)</b>
<b>Assets</b>		
Global Equity	513	554
Absolute Return	183	285
Distressed Opportunities	68	60
Credit Relative Value	96	60
Alternative Risk Premia	245	190
Fund of Hedge Funds	2	15
Emerging Markets Debt	106	114
Risk Sharing	119	99
Insurance-linked Securities	108	94
Property	77	74
Infrastructure	261	173
Private Debt	71	44
Opportunistic Illiquid Credit	85	
Corporate Bond Fund	200	154
Liquid Credit	1	
long Lease Property	61	<b>48</b>
Secured Income	133	118
Liability Driven Investment	1,165	1,204
<b>Net Current Assets</b>	<b>15</b>	<b>6</b>
<b>Total assets</b>	<b>3,509</b>	<b>3,292</b>

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.



**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2020

**16 EMPLOYEE BENEFITS (CONTINUED)**

The Pensions Trust Social Housing Pension Scheme (Continued)

Key Assumptions

	<b>2020</b>	<b>2019</b>
	% per	% per
	annum	annum
Discount Rate	2.34	2.38
Inflation (RPI)	2.53	3.23
Inflation (CPI)	1.53	2.23
Salary Growth	2.53	3.23
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

Reimbursement Asset

The Social Housing Pension Scheme provided by Midlands Rural Housing Association is for staff employed under a joint employment contract with the 4 rural associations mentioned in the Annual Report of the Board of Management. A legal agreement is in place between the 5 entities which sets out how the pension costs of those jointly employed staff will be met by each entity.

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

	2020	2019
	£	£
At 1st April	663,146	
Creation of opening debtor		741,437
Payment received	(94,327)	(75,900)
Change in debtor	37,690	(2,391)
<u>At 31st March</u>	<u>606,509</u>	<u>663,146</u>

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
<b>16 EMPLOYEE BENEFITS (CONTINUED)</b>		
<u>The Pensions Trust - Social Housing Pension Scheme (Continued)</u>		
<u>Split to Rural Housing Associations</u>		
Warwickshire Rural Housing Association	224,885	245,886
Northampton Rural Housing Association	238,515	260,788
Peak District Rural Housing Association	109,035	119,217
Leicestershire Rural Housing Association	34,074	37,255
<b>Total pension reimbursement asset</b>	<b>606,509</b>	<b>663,146</b>
<u>Movement in the year included in Other Comprehensive Income - Remeasurement of Social Housing Pension Scheme</u>		
Creation of Opening Debtor		741,437
Change in Debtor	37,691	(2,391)
	<b>37,691</b>	<b>739,046</b>

The Pensions Trust - The Growth Plan

The association participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

	£11.243m per annum
From 1 April 2019 to 31 January 2025;	(payable monthly and increasing by 3.0% each year on 1 April)

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

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

**16 EMPLOYEE BENEFITS (CONTINUED)**

The Pensions Trust The Growth Plan (continued)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12.945m per annum (payable monthly and increasing by 3.0% each year on 1 April)
From 1 April 2016 to 30 September 2028:	£50.560k per annum (payable monthly and increasing by 3.0% each year on 1 April)

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

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

	<b>2020</b>	<b>2019</b>
	£	£
<u>Present Value of provision</u>		
Present value of provision at period end	1,028	1,247
<u>Reconciliation of opening and closing provisions</u>		
Provision at start of period	1,247	1,106
Unwinding of discount factor (interest expense)	16	18
Deficit contribution paid	(207)	(143)
Remeasurement - impact of any change in assumptions	(28)	11
Remeasurement - amendments to the contribution schedule		255
Provision at the end of period	1,1028	1,247
<u>Profit and loss impact</u>		
Interest expense	16	18
Remeasurement - impact of any change in assumptions	(28)	11
Remeasurement - amendments to the contribution schedule		255

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

**16 EMPLOYEE BENEFITS (CONTINUED)**

---

The Pensions Trust - The Growth Plan (continued)

	2020	2019
<u>Assumptions</u>		
Rate of discount per annum	2.53%	1.39%

---

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

	2020	2019
	£	£

---

**17 CALLED UP SHARE CAPITAL**

---

Allotted, issued and full paid		
<u>Allotted, issued and fully paid at 1 April and 31 March</u>	<u>5</u>	<u>5</u>

---

At 31 March 2020, the Association had 5 ordinary shares (2019: 5) in issue, with each share having a nominal value of £1.

**18 OPERATING LEASES**

---

Non-cancellable operating lease rentals are payable as follows:

Less than one year	25,959	20,100
Between one and five years	77,787	80,400
More than five years		
	<u>103,746</u>	<u>100,500</u>

---

During the year £25,929 was recognised as an expense in the profit and loss account in respect of operating leases (2019: £25,651).

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
<u>19 RELATED PARTIES</u>		
<p>During the year Midlands Rural Housing had the following intercompany recharge transactions with regulated entities within the emh group.</p>		
<u>Purchases from:</u>		
emh Housing & Regeneration limited	239,673	234,338
<p>Purchases are management charges for maintenance contract management services. These charges are made at cost.</p>		
<p>At the end of the year Midlands Rural Housing had the following intercompany balances with regulated entities within the emh group</p>		
<u>Debtors</u>		
emh Housing & Regeneration Limited	81	2,562
<u>Creditors</u>		
East Midlands Housing Group limited	199,437	38,048
emh Housing & Regeneration Ltd	19,973	39,056

20 ULTIMATE PARENT COMPANY

The association is a subsidiary undertaking of East Midlands Housing Group, which is regarded by the Board of Management as the ultimate parent organisation of the association. The consolidated financial statements of East Midlands Housing Group are available at [www.emhgroup.org.uk](http://www.emhgroup.org.uk)

